

In The Matter Of:

*Janet C. Mangini v.
R.J. Reynolds Tobacco Company*

*DAVID LAUCO
Vol. 1, July 16, 1997*

*INTERIM COURT REPORTING
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[1] SUPERIOR COURT OF THE STATE OF CALIFORNIA
[2] FOR THE COUNTY OF SAN FRANCISCO
[3]
[4]
[5] JANET C. MANGINI, on behalf)
[6] of the General Public,)
[7] Plaintiff,)
[8] vs.) No. 939359
[9] R. J. REYNOLDS TOBACCO CO.,) VOLUME I
[10] et al.,)
[11] Defendants.)
[12]
[13]
[14] Deposition of DAVID IAUCO, at 425
[15] North Cherry Street, Winston-Salem,
[16] North Carolina, commencing at 8:57 A.M.,
[17] Wednesday, July 16, 1997, before Patricia
[18] Jaeger, Registered Professional Reporter,
[19] Notary Public.
[20]
[21]
[22]
[23]
[24]
[25] PAGES 1 - 205

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[1] APPEARANCES OF COUNSEL:
[2]
[3] FOR THE PLAINTIFF:
[4]
[5] ROWE LAW OFFICES, P.C.
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[14] JONES, DAY, REAVIS & POGUE
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[17] North Point
[18] Cleveland, Ohio 44114
[19] (216) 586-3939
[20]
[21] ALSO PRESENT:
[22]
[23] RALEIGH ELLISON, JR., VIDEOGRAPHER
[24]
[25]

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[1] THE VIDEOGRAPHER: The time is 8:57. This
[2] begins Tape 1. This is the deposition of David
[3] Iauco being taken in the matter of Mangini vs. R. J.
[4] Reynolds Tobacco Company, et al. This is being heard
[5] in the Superior Court of the State of California, San
[6] Francisco County, File No. 939359.
[7] The court reporter may place the witness under
[8] oath.
[9]
[10] DAVID IAUCO,
[11] having been first duly sworn, testified as follows:
[12]
[13] EXAMINATION
[14] BY MR. ROWE:
[15] Q: And could you state your name for the
[16] record, please, sir.
[17] A: Yes. David Iauco.
[18] Q: That's I-A-U-C-O?
[19] A: Correct.
[20] Q: And you are a senior vice president at
[21] R. J. Reynolds Tobacco Company?
[22] A: That's correct.
[23] Q: And you've worked there since 1976?
[24] A: '75.
[25] Q: '75. And you've worked there

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[1] continuously except for a 12-month period when you
[2] were with another company here in Winston-Salem; is
[3] that right?
[4] A: Correct.
[5] Q: Mr. Iauco, my name is Jonathan Rowe, and
[6] I'm representing the plaintiffs in this action. I
[7] understand you've been deposed once before in this
[8] action on March 28, 1995?
[9] A: I was deposed once before. I can't
[10] remember the date. But yes, it was a couple of years
[11] ago.
[12] Q: And on that occasion, I did not take the
[13] deposition, but I rush to assure you that I have read
[14] the transcript and I will make certain that I do not
[15] ask any of the questions that we already covered
[16] before.
[17] A: Thank you.
[18] Q: I know that you were also deposed twice
[19] before that. Because you mentioned that in your
[20] testimony. Have you been deposed since that date?
[21] A: Yes.
[22] Q: On how many occasions?
[23] A: The total depositions that I believe I've
[24] given have been five, including the previous
[25] deposition for this case. You want me to -

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[1] Q: If you could.
[2] A: Let me see if I can recall. One was in
[3] the Cooper trial. Another one, Allgood, a case in
[4] Texas, I believe. Again, the Mangini case. The
[5] Mississippi case, Moore, was the most recent one. And
[6] there was another one. I just don't recall what it
[7] was.
[8] Q: Okay.
[9] A: There was another one.
[10] Q: Even though you've been deposed on those
[11] occasions, I'd like to take just a minute to state for
[12] the record what we're going to be doing.
[13] A: Sorry. I just remembered. It was
[14] Conner.
[15] Q: Conner. Even though I suspect you know
[16] this litany of an explanation, I'd like to give it on
[17] the record anyway.
[18] A: Sure.
[19] Q: We're going to proceed today in a
[20] deposition that will be used for all purposes
[21] authorized by the California court rules.
[22] Thank you.
[23] The court reporter, P.J., will take down
[24] everything that anyone says, unless we have an
[25] agreement to go off the record, and for that reason

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[1] it's important that we make an effort to speak one at
[2] a time. And so I will try to let you finish all of
[3] your answers. And if you could let me finish my
[4] questions, even if you sense halfway through where
[5] this question is going. It's easier for her if we
[6] don't run into the end of each other's sentences.
[7] Okay?
[8] A: Yes.
[9] Q: And it will be important for you to give
[10] audible answers, yeses and nos, rather than nods or
[11] shaking of the head, even though that's hard to do
[12] sometimes.
[13] I will periodically ask a question that
[14] your counsel may find objectionable, and so she will
[15] state her objection for the record after my question
[16] and before your answer. We don't have a judge here,
[17] so there won't be a ruling on the objection. And in
[18] order to save time, what we do is we then take your
[19] answer, subject to your counsel's objection and the
[20] possibility that a ruling later will be that the
[21] question and answer must be stricken from the record.
[22] But we go ahead and get it here today.
[23] We ask you to try your best to keep the
[24] question in mind during the stating of the objection.
[25] The objection is always interesting, but if you could

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[1] keep the question in mind, we'll just move more
[2] efficiently that way. Okay?
[3] A: Uh-huh. Yes.
[4] Q: I'm entitled to an answer to all of my
[5] questions unless your counsel not only objects but
[6] specifically instructs you not to answer.
[7] And I would like to have an understanding
[8] with you that if you find one of my questions
[9] difficult to follow or you don't understand it, you'll
[10] let me know so I'll attempt to rephrase it. Okay?
[11] A: Certainly.
[12] Q: And then that way I'll assume that if you
[13] answer a question you do understand that. Okay?
[14] A: Right.
[15] Q: Do you have any questions for me so far?
[16] A: Not yet.
[17] Q: Okay. The five depositions that you
[18] mentioned, are you able to put them in a rough
[19] sequence?
[20] A: Cooper was first. I believe Allgood was
[21] second. I think the Mangini was third. Then Conner.
[22] And then the Moore, or Mississippi.
[23] Q: And were all those depositions in which
[24] you testified in your capacity as an employee of RJR
[25] rather than as a private -

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[1] A: Yes.
[2] Q: - individual?
[3] All of them were lawsuits against RJR?
[4] A: Yes.
[5] Q: Did any of them involve - well, I should
[6] ask - can you tell me briefly what kind of case
[7] Cooper was?
[8] A: It was a smoking and health case.
[9] Q: And Allgood?
[10] A: Same thing.
[11] Q: Individual actions, both of those?
[12] A: I believe so.
[13] Q: And Conner?
[14] A: Similar.
[15] Q: And the Mississippi case was the well-
[16] publicized state attorney general case?
[17] A: Yes.
[18] Q: You are a member of the Executive
[19] Committee of RJR; is that right?
[20] A: Yes, I am.
[21] Q: And I would like to try to make sure I
[22] correctly understand the membership of the Executive
[23] Committee. I'm going to run down a list of 12 people
[24] whom I believe are members. I would like you to tell
[25] me if I miss anyone or if someone I name is not

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[1] actually a member of the committee. Okay?
[2] A: Okay.
[3] Q: Andy Schindler?
[4] A: Yes.
[5] Q: Bob Gordon?
[6] A: Yes.
[7] Q: Lynn Beasley?
[8] A: Yes.
[9] Q: David Iauco?
[10] A: Yes.
[11] Q: Mr. Burger?
[12] A: Gary Burger.
[13] Q: Gary Burger. Yes?
[14] A: Yes.
[15] Q: Scott Keith?
[16] A: Yes.
[17] Q: Clifford Pennell?
[18] A: Yes.
[19] Q: Tom Griscom or Grissom?
[20] A: Yes. Griscom.
[21] Q: Jim Wilson?
[22] A: Yes.
[23] Q: Chuck Blixt?
[24] A: Yes.
[25] Q: Carl Hein?

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[1] A: Yes.
[2] Q: And Jim McGuire?
[3] A: Yes.
[4] Q: Are there any that I missed?
[5] A: Ken Lapiejko.
[6] Q: L-A?
[7] A: Oh, boy.
[8] Q: Okay.
[9] A: L-A-P-I-E-J-K-O, I believe is the
[10] spelling.
[11] Q: Okay.
[12] A: L-A-P - did I say?
[13] Q: Yes. L-A-P-I-E-J-K-O.
[14] A: I believe that's the spelling.
[15] Q: Anyone else?
[16] A: Let me think for a minute. T. Wayne
[17] Robertson. Yes.
[18] Q: That would make 14. Does that seem -
[19] A: That seems about right. I mean I don't
[20] have a precise number in my mind. I can't think of
[21] anyone else, but I can't tell you that I'm -
[22] Q: Right.
[23] A: - not missing someone.
[24] Q: Okay.
[25] A: It sounds like that's the entire list.

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[1] Q: Is that a group that meets on a regular
[2] basis?
[3] A: Yes. We usually meet weekly.
[4] Q: In Winston-Salem?
[5] A: Yes.
[6] Q: Are all 14 of those individuals located
[7] principally in Winston-Salem -
[8] A: Yes.
[9] Q: - in terms of their offices?
[10] What area of the company does
[11] Mr. Lapiejko have primary responsibility for?
[12] A: He's CFO of the company. So he has
[13] responsibility for the financial area.
[14] Q: Okay. And Mr. Robertson?
[15] A: He's head of our Sports Marketing
[16] Enterprises.
[17] Q: Now, Mr. Schindler is the chief executive
[18] officer of the company?
[19] A: Correct.
[20] Q: Is there anyone who functions as the
[21] chief operating officer?
[22] A: No.
[23] Q: The next level below Mr. Schindler within
[24] RJR's hierarchy would be executive vice president?
[25] A: Correct.

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[1] Q: Is there - how many executive vice
[2] presidents are there? Is that the same as senior vice
[3] president?
[4] A: No. It is a level above, I guess -
[5] Q: Right.
[6] A: - in terms of hierarchy. And I don't
[7] know precisely how many there are. There are - I'm
[8] going to give you a ballpark. There are five or six.
[9] Q: Okay. And those people would all be
[10] members of the exec- -
[11] A: Yes.
[12] Q: Are all those -
[13] A: Yes.
[14] Q: Maybe as we go through we can identify
[15] which ones are executive vice presidents and which are
[16] senior vice presidents like yourself.
[17] A: I can try.
[18] Q: Okay. And then are some a level below
[19] you as vice presidents, not senior vice presidents?
[20] A: On the Executive Committee?
[21] Q: Yes.
[22] A: Yes.
[23] Q: Okay. If we could try to identify which
[24] are at which level, as I run through the list.
[25] A: I'll try to do that.

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- (1) Q: The other thing I'd like to do to save
(2) time is try to identify the principal area of
(3) operation that the person works in. And I'll offer
(4) you my understanding, and you can tell me if I'm right
(5) or wrong. Just to move it along.
(6) A: Okay.
(7) Q: Actually, I don't know what area
(8) Mr. Schindler came from before he was CEO.
(9) A: He was head of Operations.
(10) Q: And now of course he has responsibility
(11) for the entire - all the areas, I assume?
(12) A: Of RJR Tobacco.
(13) Q: Right. Mr. Gordon is an executive vice
(14) president?
(15) A: Yes. I believe he is.
(16) Q: And his principal area is Human
(17) Resources?
(18) A: Correct.
(19) Q: Ms. Beasley is a senior vice president?
(20) A: Yes. That's correct.
(21) Q: And her principal area is Marketing?
(22) A: Right.
(23) Q: You are a senior vice president and your
(24) principal area is Marketing?
(25) A: Yes.

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- (1) Q: Mr. Pennell is a senior vice president
(2) and his principal area is Marketing?
(3) A: Correct.
(4) Q: Mr. Keith is a vice president and his
(5) area is Marketing?
(6) A: Yes. Specifically, Business Planning &
(7) Analysis.
(8) Q: But that's within the -
(9) A: It's within the Marketing Department.
(10) Q: Business Planning & Analysis. Okay. Is
(11) there a subcategory for Mr. Pennell like that?
(12) A: Yes. He's in charge of our savings
(13) brands.
(14) Q: And then is there - I'm sorry?
(15) A: I'm sorry. Our savings brand business
(16) units.
(17) Q: And is there a subcategory for you?
(18) A: Yes. I have responsibility for three
(19) different departments. One is New Business
(20) Development, which is really our new brands
(21) development area; a second group is our Marketing
(22) research function -
(23) Q: Okay.
(24) A: - and a third is the Business Planning &
(25) Analysis.

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- (1) Q: You overlap with Mr. Keith?
(2) A: Well, he reports to me.
(3) Q: That's a little different than overlap.
(4) And Ms. Beasley, does she have a subarea?
(5) A: She is responsible for all of our full
(6) price business units.
(7) Q: Such as Camel?
(8) A: Winston; Salem; Camel.
(9) Q: And then Mr. Burger is a senior vice
(10) president?
(11) A: I believe he's a senior vice president.
(12) Q: And his principal area is Research and
(13) Development?
(14) A: Correct.
(15) Q: How does Research and Development - is
(16) there overlap between Mr. Burger's Research and
(17) Development area and your work in Marketing Research?
(18) A: No. It's very - well, they collaborate
(19) and cooperate, but they're very different functions.
(20) Research and Development primarily concerns itself
(21) with the development of products, the analysis of
(22) those products, and so on. Whereas, Marketing
(23) Research has more to do with tracking our performance
(24) in the marketplace and helping with the development of
(25) Marketing propositions.

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- (1) Q: Okay. Mr. Griscom is an executive vice
(2) president whose principal area is public relations?
(3) A: External Relations.
(4) Q: External Relations. And he was an
(5) executive?
(6) A: Yes. That's correct.
(7) Q: He is an executive?
(8) A: Yes.
(9) Q: Mr. Wilson is a senior vice president
(10) whose principal area is Operations?
(11) A: I believe he's a senior vice president.
(12) Q: Mr. Blixt is a senior vice president
(13) whose principal area is legal?
(14) A: The Law Department. Yes. And I think
(15) he's a senior vice president.
(16) Q: Okay. Mr. Hein is a vice president in
(17) Operations?
(18) A: Yes. But he has got - he has primary
(19) accountability for our packaging subsidiary.
(20) Q: Okay. Does Mr. Wilson have primary
(21) accountability for something else?
(22) A: No. But - I'm trying to remember the
(23) reporting relationship with Mr. Hein. He has - I
(24) can't recall whether Mr. Hein reports directly to
(25) Mr. Wilson. But Mr. Hein is accountable for our

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[1] packaging subsidiary; whereas, Mr. Wilson has
[2] accountability for the production of our primary
[3] product, cigarettes.
[4] Q: And Mr. McGuire is a vice president?
[5] A: No. He's a senior vice president.
[6] Q: And he's in Sales?
[7] A: Yeah. He's in charge of Sales.
[8] Q: He's the only member of Sales who's on
[9] the Executive Committee?
[10] A: Yes.
[11] Q: When - you mentioned the concept of
[12] someone being accountable. If Camel - if the Camel
[13] brand were to sustain a gain or a loss in a particular
[14] quarter, is there a member of the Executive Committee
[15] who has primary accountability for that?
[16] A: Yes. Lynn Beasley would.
[17] Q: Okay. And Mr. Pennell and you and the
[18] other Marketing person, Mr. Keith, would not have the
[19] primary accountability?
[20] A: No. That's correct.
[21] Q: Okay. You got your degree in Science and
[22] Management at Purdue?
[23] A: No. I got two - I received two degrees
[24] from Purdue. One was in - a BS in Engineering as an
[25] undergraduate, and a master of science in Marketing

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[1] Management. A master's degree.
[2] Q: Okay. And that's a business degree?
[3] A: Yes.
[4] Q: And you've studied other companies
[5] besides RJR?
[6] MS. BIXENSTINE: Objection to the form of the
[7] question. It's vague.
[8] BY MR. ROWE:
[9] Q: Sorry. Have you, in the course of your
[10] education or your work experience, had occasion to
[11] look at the management structure of other corporations
[12] besides RJR?
[13] A: I haven't really done any studies along
[14] those lines.
[15] Q: All right.
[16] A: I've observed, I suppose -
[17] Q: Yeah.
[18] A: - other management structures.
[19] Q: Yeah. I didn't mean anything as formal
[20] as study. And my next question is also intended
[21] informally. In your experience is it usual, unusual,
[22] something else, for a company's Executive Committee to
[23] have so many people from the Marketing area and
[24] relatively few from Sales and other areas?
[25] A: I really am not aware of any other

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[1] company's executive committee.
[2] Q: Okay.
[3] A: I'm not aware that they have that kind of
[4] a structure or they operate that way. I think in our
[5] case we have a number of members, because we don't
[6] have a single person in charge over the entire
[7] Marketing function. Whereas, if we did, perhaps there
[8] would only be one representative.
[9] Q: I see. And you and Ms. Beasley and
[10] Mr. Pennell are all essentially at the same level in
[11] the company?
[12] A: We all have the same title. Yes.
[13] Q: None of you reports to the other?
[14] A: No.
[15] Q: To whom do you directly report?
[16] A: To Mr. Schindler.
[17] Q: And Ms. Beasley and Mr. Pennell also
[18] report directly -
[19] A: Correct.
[20] Q: - to Mr. Schindler?
[21] So the CFO, Mr. Lapiejko, he reports
[22] directly to Mr. Schindler as well?
[23] A: Yes.
[24] Q: If there's - strike that.
[25] Has a decision been made at RJR to stop

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[1] using the Joe Camel illustrated trade character in
[2] advertising?
[3] A: Yes.
[4] Q: When was that decision made?
[5] A: I believe it was last week.
[6] Q: Is that a decision - was that decision
[7] made at the Executive Committee level?
[8] A: No. It was made by the CEO and the
[9] people responsible for Camel.
[10] Q: And the people responsible for Camel -
[11] A: Primarily, Lynn Beasley.
[12] Q: Beasley. And was there any discussion at
[13] the executive committee of that decision?
[14] A: Not beforehand. No.
[15] Q: There was -
[16] A: That I'm - I'm sorry. Not beforehand
[17] that I'm aware of. I, frankly, was on vacation week
[18] before last, and I think I may have missed an
[19] Executive Committee meeting, so I'm not sure that
[20] there wasn't any - that there was or was not a
[21] discussion. But to my knowledge there was not.
[22] Q: Okay. There was discussion after the
[23] decision was made at the Executive Committee level?
[24] A: Just as information.
[25] Q: And how was that information conveyed?

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[1] In writing? Orally?
[2] A: No. It was just a discussion that we had
[3] made that decision. And I believe the content of the
[4] press release that was issued was discussed.
[5] Q: And what was - what was conveyed about
[6] the reason for the decision?
[7] A: Same thing that was publicly
[8] communicated.
[9] Q: Which was?
[10] A: Which was that we had an alternative
[11] campaign that we were happy with, that we felt that
[12] the Joe Camel campaign had run its course and that
[13] given all the controversy and criticism we had had it
[14] was time to make a change, and we were comfortable
[15] making that change.
[16] Q: And has the alternative campaign been
[17] named? Is it publicly known what it is?
[18] A: You mean - I'm not sure what you mean?
[19] Q: The alternative campaign? Is there any
[20] shorthand way we can use - does it - well, does it
[21] involve an illustrated trade character?
[22] A: No.
[23] Q: Does it involve any particular slogan or
[24] set of slogans?
[25] A: Yes.

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[1] Q: And what is that?
[2] A: Let me think for a minute. I believe
[3] it's, "It's what you're looking for."
[4] Q: Okay. Is this campaign, as you
[5] understand it today, going to involve the use of any
[6] human models or illustrated trade characters or
[7] cartoon characters, or anything like that?
[8] MS. BIXENSTINE: Objection. Compound. Go
[9] ahead.
[10] BY MR. ROWE:
[11] Q: Let's do one at a time then. Do you
[12] understand that the new campaign will involve the use
[13] of any human models?
[14] A: It does at present.
[15] Q: Oh! It's already out?
[16] A: Yes. It has - in fact, it has been out
[17] in some selected publications for several months.
[18] Q: Is there a phase-out period for Joe
[19] Camel?
[20] A: Yes.
[21] Q: Do you know how long that phase-out will
[22] be?
[23] A: No.
[24] Q: Do you know approximately how long it
[25] will take to phase out?

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[1] A: I really can't tell you. Because, again,
[2] it's not part of my responsibility. I'm not that
[3] close to it. I understand, and knowing this business,
[4] I know that you can't on one particular date shut
[5] everything off and change over. It's more complex
[6] than that. There are certain lead times involved in
[7] different media, point of sale materials, and so on.
[8] So it comes about over a period of time. And I just
[9] don't know in this case how long that is. It would be
[10] a matter of months, I believe.
[11] Q: Is there - do you know if a decision has
[12] been made to remove Joe Camel from billboards where
[13] Joe example is currently placed?
[14] A: It's my understanding that that will take
[15] place.
[16] Q: In your experience what kind of time
[17] frame is involved in the removal of Joe Camel from
[18] billboards?
[19] A: It depends on where you are in the
[20] planning and production cycle. So I can't give you a
[21] precise.
[22] Q: Sure.
[23] A: Again, a matter of months, I believe.
[24] Q: The "It's what you're looking for"
[25] campaign, will it use, as you understand it, any

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[1] illustrated trade characters or cartoon characters?
[2] MS. BIXENSTINE: Objection. Asked and answered.
[3] Go ahead.
[4] MR. ROWE: Well, I asked human models. I didn't
[5] remember asking the other one.
[6] MS. BIXENSTINE: Oh, I thought - yes. I had it
[7] down in my notes you asked it.
[8] THE WITNESS: Okay. The question was?
[9] BY MR. ROWE:
[10] Q: The question was, I asked you if "It's
[11] what you're looking for" would be using human models,
[12] and you said yes, it is.
[13] A: Correct.
[14] Q: And I was now asking is that campaign, as
[15] you understand it, going to use any illustrated trade
[16] characters or cartoon characters?
[17] A: Not that I know of.
[18] Q: Are there any differences, as you
[19] understand them, between the Joe Camel campaign and
[20] the "It's what you're looking for" campaign, in terms
[21] of where the ads will be placed? The types of
[22] magazines?
[23] A: Not that I'm aware of. I haven't
[24] discussed - I haven't gotten into that kind of detail
[25] with Lynn Beasley or other members of the brand team.

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[1] Q: In all of these questions, I do
[2] understand that you do not have principal
[3] responsibility for Joe Camel at this time, but that
[4] you are a member of the Executive Committee?
[5] A: Right. And where I have some knowledge
[6] of it, obviously -
[7] Q: Right.
[8] A: - I'll share that with you.
[9] Q: Okay.
[10] A: But in a lot of cases, there are details
[11] that I'm just not involved with, exposed to, and so
[12] on.
[13] Q: Sure.
[14] A: So I'll let you know that too.
[15] Q: Sure. You were - at one time were
[16] principally responsible for the Camel brand, though;
[17] right?
[18] A: In several times in my careers - career.
[19] Q: Several times. Maybe it would be good to
[20] make sure I understand those times correctly.
[21] You were principally responsible for
[22] Camel from 1980 - approximately 1985 to 1987; is that
[23] right?
[24] A: Can I help you out on this a little bit?
[25] Q: Sure. Yes.

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[1] A: I believe it was around mid-1982, that I
[2] was - it was the time period when I was senior brand
[3] manager, I was responsible for Camel. So it was about
[4] a two-year period starting in 1982.
[5] Q: April of 1982, till June of 1984?
[6] A: That sounds right.
[7] Q: You were senior brand manager?
[8] A: Senior brand manager on Camel.
[9] Q: Camel. Okay. And then?
[10] A: And then I was - I moved from the Camel
[11] brand to new brands for a period of time, a year, year
[12] and a half, I can't recall exactly -
[13] Q: Appears to be a year from your vitae.
[14] MS. BIXENSTINE: Would you like a copy of your
[15] resume?
[16] THE WITNESS: Oh! That would help. Thank you.
[17] MR. ROWE: In fact, why don't we mark this as
[18] Deposition Exhibit 153.
[19] (Plaintiff's Exhibit No. 153
[20] was marked for identification and is
[21] retained by counsel.)
[22] BY MR. ROWE:
[23] Q: And so looking at this Exhibit 153, the
[24] period of time from June, '85, to - sorry. From
[25] July, '84, to June of '85, when you were group manager

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[1] of new brands, you were not working on Camel?
[2] A: That's correct.
[3] Q: Then in June of '85, you came back as
[4] marketing director of Brand Marketing. Did that
[5] involve Camel?
[6] A: Yes, it did. I'm not sure it involved
[7] Camel for the entire period. I really don't know. As
[8] I recall, I was - I was appointed marketing director
[9] I think while I was working in the new brands area and
[10] that - for a short period of time and then moved to
[11] what we call established brands. And during that
[12] period of time I had responsibility for Camel as well
[13] as other brands. I just don't know if it was for the
[14] entire time period.
[15] Q: Okay. And then -
[16] A: As vice president of Brand Management,
[17] until February of '88, I also had responsibility for
[18] Camel as well as the other RJR brands.
[19] Q: Okay. And then starting in February of
[20] '88, when you became senior vice president, did your
[21] area still involve Camel?
[22] A: No.
[23] Q: And have you had responsibility for Camel
[24] at any time after February of '88?
[25] A: Yes. From the period of July of '89, to

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[1] May of '94, my responsibilities included the Camel
[2] brand.
[3] Q: Okay. Now, I want to walk through the
[4] people to whom you were reporting in those periods.
[5] Just the ones where you were doing Camel.
[6] A: I'll try.
[7] Q: Well, let's start with the most recent
[8] one. Maybe that will make it the easiest. The
[9] relatively long period from July of '89, till May of
[10] '94, when you were senior vice president of Marketing,
[11] which you are today, but your specific area in that
[12] five-year period was - included Camel; right?
[13] A: Included Camel. Yes.
[14] Q: Right. To whom did you report during
[15] those years?
[16] A: Well, several people.
[17] Q: How about a title? Is there -
[18] A: There was an executive vice president of
[19] Marketing for several of those years.
[20] Q: Was it one particular person?
[21] A: There were two different people.
[22] Q: Peter Holt and Jim Schroer?
[23] A: Peter Holt and Jim Schroer. Those are
[24] the two people.
[25] Q: And then - and when that position was

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[1] eliminated, then you reported directly to the CEO; is
[2] that right?

[3] A: Well, I think for that entire period with
[4] a short, maybe six-month period where - in between
[5] those two individuals, I reported to them. So in
[6] that six - what I'm going to guess is a six-month
[7] period, I reported to the CEO.

[8] Q: Who at that time was Jim -

[9] A: Jim Johnston.

[10] Q: But you never reported directly to Ed
[11] Horrigan or Jerry Long; right?--

[12] MS. BIXENSTINE: During that time period?

[13] BY MR. ROWE:

[14] Q: During that time period?

[15] A: Not during that time period.

[16] Q: Yeah. Right.

[17] A: They weren't here during that time
[18] period.

[19] Q: Oh. Was Jim Johnston the CEO the entire
[20] time from '89 to '94?

[21] MS. BIXENSTINE: From July of '89?

[22] MR. ROWE: Yeah.

[23] THE WITNESS: You know. I don't recall exactly
[24] when he joined, but it was sometime in '89, I believe.

[25] BY MR. ROWE:

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[1] Q: And it was after the leverage buy-out;
[2] correct?

[3] A: Correct.

[4] Q: Prior to Mr. Johnston being the CEO was
[5] Mr. Horrigan the CEO? Or was there someone in between
[6] them?

[7] A: No. I believe Mr. Horrigan was.

[8] Q: Okay. And after Mr. Johnston left, was
[9] he replaced as CEO by Mr. Schindler? Or was there
[10] someone between Mr. Johnston and Mr. Schindler?

[11] A: No. There was no one in between - my
[12] recollection is that Mr. Schindler was COO for a
[13] period of time and then became CEO.

[14] Q: During that July, '89, to May, '94, time
[15] frame, did Ms. Beasley report to you at any time?

[16] A: Yes.

[17] Q: And what was her position, and
[18] approximately when was she reporting to you?

[19] A: She was vice president of Marketing. And
[20] she had responsibility for - boy, I'm trying to
[21] remember - for different brands during that period of
[22] time.

[23] Q: Okay.

[24] A: And I don't recall. It wasn't - I'm not
[25] sure it even included Camel during that period of

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[1] time.

[2] Q: Okay. How about Mr. Pennell? Was he
[3] reporting to you during that period of time?

[4] A: I believe only for a short period of
[5] time. Because in this capacity, I only - I had
[6] responsibility for our savings brands for only a short
[7] period of time. And then concentrated on our full
[8] price brands and other units within Marketing. So I
[9] don't believe that Mr. Pennell was reporting to me for
[10] any length of time.

[11] Q: During that period of - again, July,
[12] '89, to May of '94, which individuals can you recall
[13] were responsible for Camel that were reporting to you?

[14] A: Edward Blackmer. That's who I can recall
[15] specifically.

[16] Q: Okay. Was Rich Coffield responsible for
[17] Camel during that period, or was he at an earlier
[18] time?

[19] A: Are you speaking of Rick?

[20] Q: I am.

[21] A: Or Rich?

[22] Q: Rick.

[23] A: Rick, no, not during that period of time.
[24] However, while I was a marketing director, Rick
[25] Coffield was reporting to me.

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[1] Q: Okay. And you were a marketing director
[2] from June of '85, till July of '87?

[3] A: Correct.

[4] Q: And that was when you had responsibility
[5] for Camel?

[6] A: Right. As - right. As I mentioned
[7] before, it was, I believe, some portion of that period
[8] of time when I had responsibility for Camel that I
[9] don't recall exactly how long that period was. It was
[10] a good part of it. And it was during that period of
[11] time when my recollection is that Rick Coffield-
[12] reported to me.

[13] Q: Okay. And to whom did you report during
[14] that period of time when you were marketing director
[15] from June of '85, till July of '87?

[16] A: I believe I reported to John Winebrenner
[17] who was vice president of Brand Management, I believe,
[18] at that period of time.

[19] Q: And the earlier time period when you had
[20] Camel responsibility, you were senior brand manager
[21] from April of '82 till June of '84?

[22] A: Yes.

[23] Q: To whom did you report then?

[24] A: To John Shawstack. He's no longer with
[25] the company.

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[1] Q: And Mr. Winebrenner is no longer with the
[2] company either; correct?
[3] A: That's correct.
[4] Q: Okay. And then how about when you were
[5] vice president of Brand Management from July of '87,
[6] till February of '88, did you report to
[7] Mr. Winebrenner there also?
[8] A: No.
[9] Q: To whom did you report?
[10] A: I believe at that point in time I was
[11] reporting to Martin Orjowski who was president, I
[12] believe.
[13] Q: And was - during that period of time was
[14] Ms. Beasley reporting to you on behalf of Camel?
[15] A: I'm sorry. I'm not sure that was his
[16] title back then.
[17] Q: Right.
[18] A: There was a lot of change back then. He
[19] may have been executive vice president of Marketing
[20] and Sales back then. I believe that to be correct.
[21] Q: Okay.
[22] A: And I was reporting to him.
[23] Q: Okay.
[24] A: This is during the July, '87, to
[25] February, '88, period.

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[1] Q: Right. And then my next question was who
[2] was reporting to you on the Camel brand during that
[3] period of time?
[4] A: I really just don't recall.
[5] Q: Do you know whether it was Ms. Beasley or
[6] Mr. Coffield?
[7] A: Yes, I do. During that period of time,
[8] there was - there was a marketing director
[9] responsible for Camel and probably other brands. And
[10] I believe it was Ms. Beasley.
[11] Q: Okay.
[12] A: In fact, I'm sure of it.
[13] Q: 'Cause she replaced Mr. Coffield at
[14] sometime between June of '85, and February of '88,
[15] having principal responsibility for Camel under you?
[16] A: Yes.
[17] Q: Now, we talked earlier about the
[18] Executive Committee and the idea of someone having
[19] principal accountability for certain product. Were
[20] you the person who was principally accountable for
[21] Camel's performance between July of '89, and May of
[22] '94?
[23] MS. BIXENSTINE: Objection. Before we were
[24] talking about on the Executive Committee. Is that
[25] what your question is now? Mr. Iauco was on the

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[1] Executive Committee -
[2] MR. ROWE: Yes.
[3] MS. BIXENSTINE: - at that time -
[4] MR. ROWE: Yeah. Acutally -
[5] MS. BIXENSTINE: - and the principal officer?
[6] MR. ROWE: Right. Let's - you're right. Let
[7] me back up and do a little foundation.
[8] BY MR. ROWE:
[9] Q: When did you - when were you appointed
[10] to the Executive Committee, roughly?
[11] A: I believe - well, it was sometime in
[12] this '89 to '94 time period, when I believe the
[13] Executive Committee was formed, I was appointed. And
[14] I just don't know exactly when that was.
[15] Q: Okay. When the Executive Committee was
[16] formed, were you at the outset the person who had
[17] principal responsibility - principal accountability
[18] for Camel's performance?
[19] A: I had principal accountability for all of
[20] our full-price brands during that time period. So I
[21] guess you could say that I had accountability for
[22] Camel, because it was included, although it wasn't my
[23] primary, you know, sole accountability.
[24] Q: Was Camel posting successful results
[25] during that period of time?

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[1] MS. BIXENSTINE: During - could you specify the
[2] time period?
[3] BY MR. ROWE:
[4] Q: From the inception of the executive
[5] committee until May of '94?
[6] A: Again, I'm not sure when the inception of
[7] the Executive Committee was. But Camel was showing
[8] signs of vitality, particularly during the latter part
[9] of that period of time. Yes.
[10] Q: Backing up for the same question. From
[11] the inception of the Joe Camel advertising campaign in
[12] approximately the early part of 1988, until May of
[13] '94, was there ever a period when Camel was not
[14] showing signs of vitality or otherwise posting
[15] success?
[16] A: I really don't know, because I moved over
[17] to RJR Tobacco Development Company, and was pretty
[18] much occupied with other things and not studying
[19] Camel.
[20] Q: That was for the period February of '88,
[21] to July of '89?
[22] A: Correct.
[23] Q: Okay. Then I'll just ask the question
[24] from July of '89, forward. Was there any period that
[25] you can recall when you were accountable for Camel

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[1] that Camel's performance was such that you were being
[2] held accountable?
[3] A: You mean that Camel's performance was -
[4] Q: Lagging in some way?
[5] A: There were periods when - because of
[6] competitive promotional activity, pricing activity on
[7] the part of discount brands in the marketplace, when
[8] we were not totally satisfied with Camel's
[9] performance. Certainly.
[10] Q: Was there ever a period when it
[11] registered declining sales?
[12] A: There could have been. I don't recall
[13] specifically. But month to month, as we have tracked
[14] it, there - I'm pretty confident that there were
[15] periods when there were certain months when Camel's
[16] share could have dropped. Certainly.
[17] Q: But its overall performance during that
[18] period was a positive one?
[19] A: I think if you look at the overall
[20] performance during that period of time, it has been
[21] one that showed modest growth.
[22] Q: And the Joe Camel advertising campaign,
[23] looking back on it, was a successful campaign?
[24] A: Oh, we believe so. Yes.
[25] Q: The new campaign, "It's what you're

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[1] be -
[2] MR. ROWE: Right.
[3] MS. BIXENSTINE: - of competitive interest
[4] to -
[5] MR. ROWE: Let me see if I can -
[6] MS. BIXENSTINE: - one of its competitors.
[7] MR. ROWE: That's fair. Let me see if I can ask
[8] one question that won't be of interest to competitors.
[9] BY MR. ROWE:
[10] Q: Are you aware of any use already of
[11] pop-up ads in the new campaign?
[12] A: No.
[13] Q: Now, the next question will be the one
[14] that your counsel would like to signify as
[15] confidential if you know the answer. Do you know
[16] whether there is a plan to use pop-up ads with respect
[17] to the "It's what you're looking for" campaign?
[18] A: I really don't know.
[19] MR. ROWE: Okay. I guess in light of that, Kim,
[20] we don't need to designate it as confidential?
[21] MS. BIXENSTINE: (Nodded head affirmatively)
[22] BY MR. ROWE:
[23] Q: Who developed the idea for the Joe Camel
[24] campaign?
[25] A: An advertising agency did. Trone

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[1] looking for," do you know whether it will involve the
[2] use of any multiunit ads?
[3] MS. BIXENSTINE: Objection to the form of the
[4] question.
[5] THE WITNESS: I'm not sure what you mean by -
[6] MR. ROWE: Okay.
[7] THE WITNESS: - multiunit adds.
[8] BY MR. ROWE:
[9] Q: All right. I was using a phrase that
[10] Mr. Pennell had used, so I didn't know either.
[11] I refer to these ads as pop-up ads. And
[12] I was thinking of the ads where you open a magazine
[13] and something comes out of the page in a somewhat
[14] three-dimensional format. If I use the phrase pop-up
[15] ads to refer to those is that -
[16] A: I don't know that there's any one name
[17] for that kind of a thing, but I understand what you're
[18] talking about.
[19] MS. BIXENSTINE: Okay. And let me say on the
[20] record at this point that if Mr. Iauco knows the
[21] answer to this question, then I'm going to designate
[22] the answer as being confidential under the protective
[23] order in the Mangini case. And I'd like that
[24] specified in the transcript. Because this is relating
[25] to activity that hasn't yet happened and so it would

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[1] Advertising Agency. They developed the idea for a
[2] promotional campaign to celebrate Camel's 75th
[3] anniversary that, because of the positive response we
[4] got to it, ended up being turned into an ongoing
[5] advertising campaign.
[6] Q: Is there any person or person within
[7] Reynolds, employed by Reynolds, whom you look back on
[8] and give principal credit to for the development and
[9] use of the Camel campaign?
[10] A: Lynn Beasley.
[11] Q: Anyone else?
[12] A: Fran Creighton.
[13] Q: Anyone else?
[14] A: No. Those are the two.
[15] Q: Prior to today's deposition, did you look
[16] at any documents to get ready for the deposition?
[17] A: For this deposition?
[18] Q: Uh-huh.
[19] A: Only I read portions of the Complaint.
[20] Q: No other documents?
[21] A: No.
[22] Q: Did you meet with counsel and prepare for
[23] the deposition?
[24] A: Yes.
[25] Q: Can you tell me approximately how long

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[1] you met?
[2] **A:** Two and a half hours.
[3] **Q:** Did you play any role in the development
[4] of the Joe Camel promotional campaign?
[5] **A:** Minimal role. As I mentioned earlier,
[6] Lynn Beasley reported to me, so therefore I was
[7] apprised during the course of the development of the
[8] campaign, and I helped to sell the idea to executive
[9] management at the time. I supported it.
[10] **Q:** And the executive management to whom you
[11] had to sell the idea was Mr. Johnston?
[12] **A:** No. It was Mr. Long and Mr. Horrigan, I
[13] believe.
[14] **Q:** Was there any resistance from Mr. Long or
[15] Mr. Horrigan to the idea?
[16] **MS. BIXENSTINE:** Objection to the form of the
[17] question. It's vague. But you can answer it if you
[18] understand it.
[19] **THE WITNESS:** I don't think that - I don't
[20] recall any particular resistance out of the ordinary.
[21] There's always - whenever there's a new idea put
[22] forth, there are always tough questions and that kind
[23] of thing. And I don't think this was any exception.
[24] **BY MR. ROWE:**
[25] **Q:** Do you remember what any of the tough

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[1] **Q:** When you use the phrase "qualitative,
[2] quantitative research," what - is qualitative
[3] research surveys?
[4] **A:** Qualitative research tends to be what we
[5] call focus groups.
[6] **Q:** Focus groups?
[7] **A:** Or one on ones. Small groups of adult
[8] smokers that we recruit for. And typically there will
[9] be eight to ten people in a room like this, and -
[10] with a discussion leader, a moderator. And it gives
[11] us an opportunity to just really have a discussion
[12] about advertising campaigns, products, or promotional
[13] ideas, and so on.
[14] **Q:** Right. And then the quantitative one is
[15] the survey?
[16] **A:** Yeah. That's more of what we call a
[17] typical survey where it's a much larger number of
[18] respondents, in our case, smokers, that - typically a
[19] hundred, two hundred, somewhere in that range, or
[20] more. And it is quantitative and therefore it has
[21] some statistical reliability.
[22] **Q:** The concern that you mentioned that had
[23] been raised by executive management, would the
[24] illustrations alienate the adult Camel franchise?
[25] **MS. BIXENSTINE:** Objection. Misstates his

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[1] questions were?
[2] **A:** There was one in particular. There was a
[3] concern would this - because Camel had quite a large
[4] older adult smoker franchise, there was some concern
[5] that because we're using illustrations would that turn
[6] off the - particularly the older adult Camel
[7] franchise of smokers who were very loyal to the brand.
[8] And we did some research which clearly indicated that
[9] that wasn't the case at all. In fact, they liked the
[10] campaign.
[11] **Q:** And the form of the research?
[12] **A:** We did both - and I don't remember
[13] precisely. It was a long time ago. But I believe we
[14] did qualitative research. We may have done some
[15] quantitative research on the campaign among the Camel
[16] franchise. I believe we probably did. I just don't
[17] recall specifically. And we even went so far, I
[18] recall, as doing some - a little internal research.
[19] We knew that we had some older employees that worked
[20] in manufacturing that produced the Camel brand. They
[21] were very proud of it. They, you know - we felt that
[22] that would be kind of the acid test of let's go down
[23] and show these employees this campaign and get their
[24] reaction. And their reaction, as I recall, was
[25] extremely positive. They really liked it.

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[1] testimony.
[2] **MR. ROWE:** Okay. I don't want to do that.
[3] **BY MR. ROWE:**
[4] **Q:** I would like to refer back to the concern
[5] that you said was raised by executive management.
[6] **A:** I'm not sure I said it was concern.
[7] There were questions that were raised.
[8] **Q:** Okay.
[9] **A:** And a logical question would be that, you
[10] know, This is a brand that's 75 years old, has got
[11] this rich heritage, and simply a logical question is
[12] now you want to use an illustrated camel to - as a
[13] main component of this promotional campaign. Is
[14] that - is that in concert with what particularly the
[15] long-term, loyal franchise of this brand has in their
[16] mind about the brand? Is it consistent with that?
[17] That was a question that was raised. And we
[18] answered - attempted to answer it. I think we did.
[19] **Q:** And the - the question I had was was
[20] that question raised by both Mr. Long and
[21] Mr. Horrigan, or one?
[22] **A:** I don't remember.
[23] **Q:** Okay. And the question about whether it
[24] would alienate long-term, loyal, adult Camel franchise
[25] is a question about older smokers?

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[1] A: Yeah. Primarily. Because we had a large
[2] older adult smoker franchise, tend to be more skewed
[3] to males on the brand. And the last thing we want to
[4] do is to turn that group off. I mean they're our
[5] business.
[6] Q: Right. You understood, did you not, that
[7] the Joe Camel campaign was designed in part to attract
[8] younger adult smokers, though?
[9] A: Certainly.
[10] Q: And the qualitative and quantitative
[11] research you had done supported the view that younger
[12] adult smokers would be attracted to the campaign?
[13] A: Yes.
[14] Q: Are you aware of any research that was
[15] done to show what effect the campaign would have on
[16] those under the age of 18?
[17] A: At that time?
[18] Q: Uh-huh.
[19] A: No.
[20] Q: At any time?
[21] A: Yes. Later on when the campaign was
[22] criticized and there were studies - I use that term
[23] lightly - studies done criticizing the campaign and
[24] suggesting that its primary appeal was to youth, which
[25] we disagreed with - and we found major faults in the

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[1] studies, the way they were designed - we commissioned
[2] some studies using experts in this area of doing
[3] research among youth to try to get an answer to these
[4] criticisms.
[5] Q: And did you get an answer?
[6] A: Yes, we did.
[7] Q: And what was the answer?
[8] A: Well, I'm referring specifically to the
[9] Mizersky study that was done. And the - I'm not an
[10] expert on this, and don't have complete recollection
[11] of it. But my recollection is that that study
[12] indicated that some of the conclusions reached in the
[13] previous study that was published in JAMA, I believe
[14] it was the Fisher study, about the Camel campaign were
[15] erroneous. And more importantly I think the Mizersky
[16] study went an extra step and indicated that even among
[17] those minors that recalled the Camel campaign, their
[18] opinion - with higher awareness of the campaign,
[19] their opinion of cigarettes and smoking became more
[20] negative. Which was totally contrary to the
[21] conclusions that were reached in that study.
[22] Q: Were you still responsible for Camel when
[23] the Roper study was commissioned? Do you know what I
[24] mean by the Roper study?
[25] A: Yeah. I'm aware of the Roper study. And

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[1] I don't recall when that was commissioned.
[2] Q: Did you have any involvement in receiving
[3] the results of the Roper study?
[4] A: I had no involvement in the commissioning
[5] of that study. I recall seeing the results.
[6] Q: Who was involved in commissioning it?
[7] A: I think in both the case of Mizersky and
[8] the Roper study and other studies that we did to deal
[9] with this criticism to - it was all conducted by
[10] people other than the Marketing Department. And the
[11] Marketing Department was not directly involved to my
[12] knowledge.
[13] Q: Do you know which people were?
[14] A: Some of our External Relations people.
[15] MS. BIXENSTINE: Jonathan, Mr. Janacek did take
[16] the deposition of Mr. Linquist on -
[17] MR. ROWE: Right.
[18] MS. BIXENSTINE: - the Roper study.
[19] BY MR. ROWE:
[20] Q: External Relations being the department
[21] that is under Mr. Griscom?
[22] A: Correct.
[23] Q: Were there any other tough questions that
[24] were raised by Mr. Long or Mr. Horrigan or other
[25] members of executive management relative to the idea

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[1] of the Joe Camel campaign at its inception?
[2] A: I'm sure there were. I just don't
[3] recall.
[4] Q: Okay.
[5] A: I'm sure there were questions about how
[6] are we going to pay for it and what do we expect to
[7] get from it, and the typical kinds of business
[8] questions like that. But I don't recall specifically.
[9] Q: Okay. Was any question raised that you
[10] recall by anyone as to whether the Joe Camel ad would
[11] cause the franchise to skew too young?
[12] A: No. I don't believe there was any
[13] concern raised about that. There may have been - and
[14] again I don't recall specifically, but there may have
[15] been concerns about whether or not there would be
[16] external criticisms of the campaign because it
[17] utilized illustrated characters. I don't remember any
[18] one individual raising that concern or asking
[19] questions about it. But I do have some recollection
[20] it was discussed.
[21] Q: That possibly the use of illustrated
[22] characters could raise criticism from outside sources?
[23] A: Yes.
[24] Q: And the nature of the criticisms that
[25] were anticipated or feared in some way were criticism

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[1] that the use of the illustrated characters would
[2] appeal to too young a market?
[3] A: No. That we would be charged with
[4] somehow targeting kids because we were using
[5] illustrated - illustrations in our advertising.
[6] We're an industry that is constantly under - under
[7] criticism. There are people that frankly just want to
[8] put us out of business and they look for any
[9] opportunity to try to suggest that we're doing
[10] something that is not right.
[11] Q: After that concern was raised do you
[12] recall what resolution was reached about the concern
[13] or whether any changes were made in the proposed
[14] campaign?
[15] MS. BIXENSTINE: Objection to the
[16] characterization of concern. Go ahead.
[17] BY MR. ROWE:
[18] Q: I know this time you used "concern,"
[19] because I wrote it down.
[20] A: I may have. You know. Concern.
[21] Questions.
[22] Q: Okay.
[23] A: I'm not aware of any changes that we
[24] made. Again, what my recollection is is that it was
[25] discussed. And obviously we resolved it. The one

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[1] thing I am very confident of and do recollect is that
[2] we knew that it had appeal, a great deal of appeal,
[3] among the adult smoker market that - that we - we
[4] were obviously interested in attracting. And in
[5] particular, it seemed to have appeal to the 18 to 24
[6] smoker of competitive products, and it had, likewise,
[7] appeal among all age groups of adult smokers. So we
[8] believed that we had something that was a winner.
[9] Q: And so the decision was made to go with
[10] it?
[11] A: Yes. A decision was made to go with it.
[12] Q: And you can't recall any adjustments that
[13] were made to the campaign in light of the concern that
[14] the use of illustrated characters might raise
[15] criticism that you'd be charged with targeting kids?
[16] A: I don't recall any. Once the campaign
[17] was kind of in its final form and we went forward with
[18] it, I don't recall any adjustments.
[19] Q: You mentioned that you knew the campaign
[20] had an appeal to - in particular to 18-to-24-year-old
[21] smokers of competitive products?
[22] A: Correct.
[23] Q: Did you have any knowledge as to whether
[24] the campaign appealed to 18-to-24-year-olds who had
[25] not yet decided to smoke?

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[1] A: No.
[2] Q: Okay.
[3] A: We had no knowledge. We didn't do any
[4] research among nonsmokers.
[5] Q: Did you have any knowledge as to whether
[6] it would - the Joe Camel campaign would have appeal
[7] to people who had decided to smoke but had not yet
[8] selected a usual brand?
[9] A: No.
[10] Q: No knowledge one way or the other?
[11] A: Not that I know of. I don't know how we
[12] would get that. It's kind of hard to ask someone have
[13] you selected a usual brand. So I'm not aware - I'm
[14] not aware of any data on that.
[15] Q: Well, when you said that you knew it was
[16] appealing in particular to 18-to-24-year-old smokers
[17] of competitive products, you knew that those people
[18] were smoking competitive products; right?
[19] A: Some were smoking competitive products;
[20] some were smoking our products. Camel, in particular.
[21] And again, we - the research that we did was among
[22] both groups. And we found that it had appealed to
[23] both groups.
[24] Q: Both groups being both those who were
[25] already smoking Camels and those who were smoking a

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[1] competitive product?
[2] A: Correct.
[3] Q: But you had no way that you could think
[4] of to determine whether the campaign also appealed to
[5] people who had not yet selected a usual brand but had
[6] decided to smoke?
[7] A: I don't recall that being a question or
[8] something that we were looking at.
[9] Q: How do you recruit the smokers for your
[10] focus groups?
[11] A: We utilize a service -
[12] MS. BIXENSTINE: Is this currently, or at that
[13] time?
[14] BY MR. ROWE:
[15] Q: At that time. How did you - and that
[16] time frame would be shortly before the inception of
[17] the Joe Camel campaign, when you were doing the
[18] research to answer the tough questions from executive
[19] management.
[20] A: You'd have to ask one of our Marketing
[21] Research experts about this. But in general, we
[22] usually use an outside research firm that we contract
[23] with in the market that we want to do the research in.
[24] And they - for our products and other products that
[25] they do research on, they have random surveys in their

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(1) market and categorize people as to what products they
(2) use, what their age - excuse me - sex and so on, to
(3) meet the qualifications that we put to them.
(4) For example, if we're looking for
(5) 21-to-34-year-old smokers of males and females of
(6) competitive brands, then we would ask them to find
(7) those kinds of respondents. And they would screen
(8) their list and make telephone calls to try to come up
(9) with those respondents. And then they would come in
(10) and be verified as best they can. And that's how they
(11) are recruited.
(12) Q: Did you ever work in one of these - did
(13) you ever attend one of these focus groups?
(14) A: Oh, sure. Yes.
(15) Q: Have you ever seen a focus group that
(16) involved someone who did not yet have a usual brand of
(17) cigarette?
(18) A: I don't know that I can recall ever
(19) hearing someone say, I haven't really - I don't
(20) really have a usual brand.
(21) Q: Okay.
(22) A: There - there are smokers that we -
(23) that you can tell by virtue of their - how they
(24) describe the brands that they purchase that are moving
(25) around trying different brands. And we would conclude

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(1) from that that they haven't yet selected a usual
(2) brand. But we wouldn't ask the question directly.
(3) You know. Do you have a usual brand? And expect an
(4) answer, No, I don't have a usual brand.
(5) Q: Okay.
(6) A: It's just - by virtue of the fact that
(7) they smoke different brands, they purchase different
(8) brands, it becomes apparent that they haven't yet
(9) selected one brand to be loyal to.
(10) Q: Right. Now those who select one brand to
(11) be loyal to may still sometimes have occasional use of
(12) other brands; right?
(13) A: In almost every case that is true.
(14) Q: Right. But then the category you were
(15) just referring to would be those whose occasional use
(16) of various brands is more predominant than their use
(17) of one particular brand?
(18) A: Correct. What it really comes down to is
(19) someone that occasionally uses several brands, and no
(20) one brand seems to occupy the majority of their
(21) purchases.
(22) Q: And those people do become participants
(23) in focus groups?
(24) A: I presume so. Yes.
(25) Q: In your experience, at least, that has

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(1) happened?
(2) A: Certainly. There are people like that
(3) that attend focus groups.
(4) Q: Did you have any knowledge as you were
(5) selling the idea of the Joe Camel campaign to
(6) executive management as to whether the Joe Camel
(7) campaign had particular appeal to 18-to-24-year-old
(8) smokers who would fall into that category of using
(9) several brands but having no one particular loyal
(10) brand?
(11) A: I just don't recall.
(12) MR. ROWE: Is this a good time for a break?
(13) MS. BIXENSTINE: Yeah.
(14) THE WITNESS: Sure.
(15) THE VIDEOGRAPHER: We're off the record at
(16) 10:01.
(17) (Recess)
(18) THE VIDEOGRAPHER: We're on the record at 10:11.
(19) BY MR. ROWE:
(20) Q: Mr. Iauco, when did you first - and this
(21) is a very approximate "when." I'm not looking for the
(22) hour and minute, or even the day. But when did you
(23) first hear of the idea of the Joe Camel campaign?
(24) If you want to relate it back to when it
(25) hit - you know, a period of time before it hit the

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(1) markets, or if you can relate it to what job you were
(2) occupying or -
(3) A: If you're speaking of the campaign
(4) itself, I don't - the 75th birthday promotional idea,
(5) which had a number of different ad executions related
(6) to it, and so on, then the first time that I really
(7) heard of that idea as a campaign idea, oh, probably
(8) was in - sometime in late '87. It was that kind of a
(9) time frame. I believe.
(10) Q: And the 75th ad campaign that you heard
(11) of involved the use of the illustrated trade character
(12) Joe Camel?
(13) A: Yes.
(14) Q: Okay. Had you heard of the use of
(15) illustrated trade character in any prior campaign?
(16) A: Not - not in terms of a campaign. We
(17) utilized what was called at that time the French Camel
(18) promotionally, I believe back when I was on the -
(19) when I was in charge of the brand as a senior brand
(20) manager. We had I think a lighter promotion and I
(21) believe a T-shirt promotion that was communicated in
(22) media.
(23) Q: And the lighter and T-shirt promotions
(24) were done in the United States?
(25) A: Yes.

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[1] Q: But they utilized something called the
[2] French Camel?
[3] A: Right. It was basically just the
[4] illustration that had been done in France and used in
[5] France for something, a poster or something that - at
[6] the time. That we kind of borrowed just that singular
[7] illustration and used it on a - used it on a T-shirt
[8] at one point in time and on a lighter at another point
[9] in time.
[10] Q: And the T-shirt promotion was very
[11] successful; right?
[12] MS. BIXENSTINE: Objection. What do you mean by
[13] "very successful"?
[14] THE WITNESS: I have the same question.
[15] BY MR. ROWE:
[16] Q: All right. The T-shirt promotion was
[17] regarded as a worthwhile expenditure of RJR resources?
[18] A: I think so. We got - we got a lot of
[19] participation in that promotion. There was interest
[20] in it.
[21] Q: More participation than some other
[22] promotions that were tracked over the years?
[23] MS. BIXENSTINE: Objection. Vague.
[24] THE WITNESS: Yes. More than others; less than
[25] others. You know. It was not the lowest

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[1] participating promotion that we've ever had to my
[2] knowledge.
[3] BY MR. ROWE:
[4] Q: What did you know - prior to the lighter
[5] and T-shirt promotion, what did you know about the use
[6] of the French Camel in France? How it had been used?
[7] How long? When?
[8] A: Very little. I mean to my - I don't
[9] recall knowing anything about it.
[10] Q: Were you aware of any concerns that had
[11] been raised about the appeal of the French Camel to
[12] very young smokers?
[13] A: No.
[14] Q: You've mentioned a person named Ed
[15] Blackmer. What was Ed Blackmer's role at RJR in the
[16] late 1980's? Was that the person -
[17] MS. BIXENSTINE: What time period are you
[18] talking about?
[19] BY MR. ROWE:
[20] Q: During the 1980's, did Ed Blackmer report
[21] to you on the Camel brand?
[22] A: During that period when I was senior vice
[23] president of Marketing, July, '89, to May, '94,
[24] Mr. Blackmer reported to me as a vice president of
[25] Marketing, and he had responsibility for Camel. He

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[1] may have had responsibility for other brands as well.
[2] But he did have Camel responsibility. And I don't
[3] know if it was during that entire period. I can't
[4] recall.
[5] Q: Okay. Do you know whether Mr. Blackmer
[6] is related to a person named Dana Blackmer who worked
[7] for RJ?
[8] A: No. He is not related to Dana Blackmer.
[9] Q: Do you know who Dana Blackmer is?
[10] A: I recall the name. As I recall, he
[11] was - worked in the creative department at - at an
[12] agency that we did work with back in the '70s, I
[13] believe. Dancer, Fitzgerald, Samet.
[14] Q: He, being Dana Blackmer?
[15] A: Yes. He worked -
[16] Q: I want to show you -
[17] A: I'm sorry. I think he worked on Winston
[18] for some period of time.
[19] Q: I'm going to show you a document that was
[20] previously marked as Deposition Exhibit 145. It's a
[21] memo from Mr. Dana Blackmer from 1974.
[22] MS. BIXENSTINE: Can you set that down so I can
[23] share.
[24] BY MR. ROWE:
[25] Q: And I'd just like to ask you if you've

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[1] ever seen it before?
[2] A: No.
[3] Q: Okay. Since it's a short memo, if you
[4] could just take a moment to read it.
[5] A: (Complied)
[6] Okay.
[7] Q: And you see that Mr. Blackmer says that
[8] the French Camel is about as young as you can get?
[9] A: Well, yeah. He says it aims right at the
[10] young adult smoker.
[11] Q: Is that consistent with what you had
[12] heard about the French Camel prior to its utilization
[13] on the T-shirt and lighter promotion?
[14] A: I think I mentioned that I heard
[15] nothing -
[16] Q: You heard nothing?
[17] A: - that I can recall about the - that ad
[18] or poster or illustrations used in France. And I'm
[19] not even sure that this refers to it. 'Cause they're
[20] talking about brighter emblems. I'm sure - it
[21] doesn't seem consistent with it. So I don't even know
[22] if that's what they're referring to.
[23] Q: Have you ever heard the sentiment that
[24] the French Camel is about as young as you can get in
[25] terms of its appeal to an audience?

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[1] A: No. Not - I've never heard those terms
[2] before.
[3] Q: Okay. I'm going to show you what's
[4] previously been marked as Deposition Exhibit 26.
[5] Thank you. And it's a document dated February 1,
[6] 1985, from Alisha Mitchell to R.T. Coffield. Is that
[7] Rick or Rich Coffield?
[8] A: I believe that's Rick.
[9] Q: Coffield.
[10] A: Yes.
[11] Q: And Rick is the one who reported to you
[12] at least as of June of '85, to July of '87, on the
[13] Camel; right?
[14] A: Yeah. It was during that time period.
[15] Q: The document is a little longer. I'm
[16] only going to ask you about a question on the second
[17] page - third page. But you're welcome to look at the
[18] whole document.
[19] I guess my first question is, if you've
[20] ever seen it before?
[21] MS. BIXENSTINE: Go ahead and skim through - at
[22] least skim through the entire document.
[23] THE WITNESS: (Complied)
[24] You don't have a better -
[25] MS. BIXENSTINE: They're marked "best copy."

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[1] THE WITNESS: Yeah. I don't recall ever seeing
[2] this report.
[3] BY MR. ROWE:
[4] Q: Okay. I wanted to call your attention
[5] particularly to the third page of the document in
[6] front of you, which is Bates stamped RJM030971 in the
[7] corner. And I wanted to ask you about the paragraph
[8] numbered 2.
[9] Yeah. That page wouldn't count, so if
[10] you now call 1 -
[11] A: 1, 2, 3.
[12] Q: That should be it. Do you have a
[13] numbered paragraph 2, French Camels?
[14] A: Yes.
[15] Q: Okay. You see that that paragraph,
[16] Mr. - or Ms. Mitchell has indicated that these ads
[17] were well received due to the fun humor aspects of the
[18] cartoons. More than any other theme, the French
[19] Camels appeared to attract the respondent's attention.
[20] Is that - were you advised of any information like
[21] that prior to this time?
[22] A: I don't believe that I was in charge of
[23] Camel when this was done.
[24] Q: Right. No. I understand. This was done
[25] a few months before you came on as -

[1] A: Yeah. But let me point out that while
[2] they call this French Camels, I mean the illustrations
[3] are clearly, you know, illustrations that were done
[4] for this exploratory that bear no or very little
[5] resemblance to the current or the Joe Camel campaign
[6] that eventually was developed. Spiked hair. It's
[7] kind of a punk look. It's clearly not the Joe Camel
[8] campaign that ended up being developed.
[9] And I think this is a clear
[10] demonstration, what is indicated here, is that - and
[11] I am aware of later when Ms. Beasley and Ms. Creighton
[12] were working on the development of the Joe Camel
[13] campaign, I recall them indicating that they had
[14] developed - or that the agencies had developed
[15] certain executions that adult smoker respondents had
[16] indicated would be more appealing to kids or to
[17] younger people. And they rejected those and said,
[18] That's not our market. That's not what we want. And
[19] they were never utilized. As I recall, they were
[20] executions that were - that were more like this kind
[21] of a thing.
[22] Q: And "this kind of a thing," you're
[23] referring to some of the pictures at the back of
[24] Exhibit 26; right?
[25] A: Yeah. Spiked hair. Exaggerated - I

[1] can't tell really what some of these are, but
[2] particularly the spiked hair. Because it's so evident
[3] that it was some kind of an attempt to show a punk
[4] Camel - illustrated Camel.
[5] Q: Right. You see that the comment from
[6] Ms. Mitchell was that the main drawbacks of these
[7] executions were that, one, they may be more appealing
[8] to an even younger age group; and two, there is some
[9] confusion as to the meaning behind them. And that's
[10] consistent with what you just said; right?
[11] A: It's consistent with what I recall in
[12] terms of executions or ideas that some agencies
[13] brought us and some testing that was done in the early
[14] stages of development of the Joe Camel campaign. And
[15] for that very reason that direction was not pursued,
[16] because it was not what we were looking for.
[17] Q: And the executions you're mentioning now
[18] were executions that you saw before the inception of
[19] the campaign -
[20] A: Yes.
[21] Q: - or after, or both?
[22] A: Yes. It was before.
[23] Q: Before. All right. So even before the
[24] campaign was launched, there was a recognition on your
[25] part that some executions of the Camel ads could skew

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[1] too young?
[2] A: No. I wouldn't phrase it that way. Some
[3] campaign ideas, they - I don't think they're
[4] executions of the same campaign. They happen to be
[5] illustrations that are very much exaggerated, and that
[6] communicates something totally different than what
[7] ultimately was the - came to be known as the Joe
[8] Camel campaign.
[9] Q: Can you help -
[10] A: They're not executions of that campaign.
[11] Q: Okay.
[12] A: They're a different direction entirely.
[13] Q: All right. Ms. Mitchell in this memo
[14] uses the phrase "executions," but your feeling is that
[15] these are not even executions of the Joe Camel
[16] campaign?
[17] A: No. They're not. I mean they were done
[18] before the Joe Camel campaign was even conceived of.
[19] And there are other executions here - I mean there
[20] are other ads here that could represent campaigns.
[21] They were never - obviously never developed into a
[22] campaign.
[23] Q: Okay.
[24] A: They're ideas.
[25] Q: Okay. Tell me what the Joe Camel

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[1] campaign in your mind does compass?
[2] MS. BIXENSTINE: Objection. Overbroad and
[3] vague.
[4] THE WITNESS: I'm going to have to ask for some
[5] clarification of what you're -
[6] BY MR. ROWE:
[7] Q: Okay. I want to try to understand why
[8] these ads at the back of Exhibit 26 and executions in
[9] your view are not merely different executions of the
[10] Joe Camel campaign as you understand it, but are
[11] actually, as I understand your testimony, something
[12] different altogether?
[13] A: Yeah. To answer that the best I can, let
[14] me go back to why we were seeking a different campaign
[15] on Camel. At the time, actually when - at the time
[16] when I was the senior brand manager on the brand, and
[17] particularly towards the latter part of that, it
[18] became clear to us that Camel's business was
[19] deteriorating. That - and in particular, it was
[20] deteriorating because the brand had an overall image
[21] of being - of being irrelevant to a large group of
[22] adult smokers in the marketplace. It was seen as a
[23] brand for older - and I mean fifty-plus-years-of-age
[24] smokers. Primarily men. It was seen as offering
[25] products that were hot and harsh and kind of

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[1] yesterday's kind of cigarette, not today's kind of
[2] cigarette. There was a prevailing perception that the
[3] Camel cigarettes didn't even have any filters on them,
[4] even though at the time we had filters. We had
[5] lights; styles. We had a full array of products on
[6] the market. It was just - the brand was suffering
[7] from many negative perceptions.
[8] So we undertook an exploratory that
[9] ultimately lasted several years, and had different
[10] people involved in it, to try to come up with
[11] advertising that would improve those perceptions; that
[12] would communicate that Camel was a brand that was more
[13] relevant to a broader range of smokers including, and
[14] primarily targeted to younger adult smokers,
[15] particularly 18-to-24-year-old smokers, as all of our
[16] documentation would indicate.
[17] We had to come up with some ideas on both
[18] advertising ideas and promotional ideas to change the
[19] perceptions or correct the perceptions that Camel was
[20] a brand or included products that had no filters and
[21] were hot, harsh products, strong products that were -
[22] that were not in tune with what smokers were looking
[23] for in today's marketplace, or at that time today's
[24] marketplace.
[25] So we explored a lot of different ideas.

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[1] And when you go through these exploratories, we tend
[2] to ask agencies for as many ideas as they can possibly
[3] come up with. And as part of the creative process, we
[4] don't try to limit them. We try to stimulate as much
[5] free-form creativity as possible.
[6] And what happens is, typically, you'll
[7] get ideas that are inappropriate; that are off target;
[8] that we would never move forward with. You'll get -
[9] hopefully, you'll get ideas that are good; that are on
[10] target. And you attempt to try to find the ones that
[11] will accomplish your objectives.
[12] In this case, I think through those
[13] years, we got some ideas - and obviously included in
[14] this document are a few of them - ideas that were
[15] inappropriate. We may have been able to look at them
[16] and say, you know, come on, we would never run
[17] something like this. But sometimes it helps to go out
[18] and have our consumers, adult smokers, say it for us.
[19] Because it convinces an agency and helps them
[20] understand what is appropriate for that target
[21] audience.
[22] So in this case it appears we went out
[23] and did some qualitative research. And that's exactly
[24] what these smokers told us. That this appears - this
[25] isn't relevant to me. As an adult smoker. This

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[1] appears to - this will probably have appeal to
[2] younger - to kids. And we never pursued it. We
[3] walked away from it, because we knew that it was
[4] inappropriate. We had a clear indication that it was.
[5] Now, when we got to, and this I think
[6] was - well, was years later, because this was -
[7] Q: 1985?
[8] A: - 1985, a Joe Camel campaign that
[9] utilized illustrated characters who are clearly adults
[10] and had adult appeal, we knew that we had a campaign
[11] that was going to accomplish our objectives. And
[12] that's where we ended up.
[13] Q: Okay.
[14] A: But it bears - you know, I guess the
[15] point I'm trying to make is that it had no - it had
[16] no grounding in this idea.
[17] Q: This idea being the?
[18] A: Being some kind of a punk illustrated
[19] camel, other than the fact that it's a camel and it's
[20] an illustration. Well, most of our advertising will
[21] include camels when you're dealing with a camel -
[22] Camel brand.
[23] Q: Right.
[24] A: And the illustration, yeah, is a
[25] technique but can be used in a wide variety of ways.

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[1] Q: Well, Ms. Mitchell went through in her
[2] memo six different types of themes that were being
[3] looked at at least in 1985, shortly before you came
[4] onto Camel as the marketing director, or came back to
[5] Camel. And the six themes she listed were Go with it,
[6] French Camels, Welcome to the Oasis, Smoke Rings,
[7] Camel Man, and I'd walk a mile. Among those six
[8] themes, would you agree that French Camels is the
[9] closest to what became the Joe Camel campaign?
[10] A: Well, I've not studied the six themes.
[11] (Reviewing document)
[12] Well, without having studied all these
[13] and really understanding what the basis for them were,
[14] all of them utilize illustration because they were
[15] very early work that they were trying to just depict
[16] the idea. Relative to what each one communicates,
[17] again, I'd have to take some time and understand what
[18] the different - six different directions, what their
[19] intent was in terms of communication. And it could
[20] very well be that one of those six, other than what's
[21] termed the French Camels, was closer in terms of what
[22] ultimately the Camel campaign communicates than the
[23] one termed French Camels.
[24] The one thing that makes it appear to be
[25] perhaps closest to the current campaign is the fact

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[1] that an outline of the Camel package used and a figure
[2] is coming out of that Camel pack. And I would have to
[3] say that that's the only thing that really would
[4] suggest that this one bears any resemblance to the Joe
[5] Camel campaign.
[6] Because again, all of them utilize
[7] illustration. Some of them utilize illustrated camels
[8] in some way, shape, or form. But this - the graphic
[9] design, I guess, when you boil it down to its essence,
[10] bears some resemblance, but the communication has very
[11] little.
[12] Q: Okay. Putting aside the executions there
[13] in Exhibit 26, just remembering what you know about
[14] the French Camel that - that figure that was used on
[15] the T-shirt and lighter promotions, is that French
[16] Camel image consistent with what ultimately became the
[17] Joe Camel campaign?
[18] MS. BIXENSTINE: Objection. Vague. If you
[19] understand, go ahead and answer.
[20] THE WITNESS: I -
[21] BY MR. ROWE:
[22] Q: Let me try again.
[23] A: I don't know how to answer that.
[24] Q: That's fine.
[25] A: It was just one picture.

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[1] Q: Let me try again. Let me try again.
[2] That picture, that French Camel picture, if it were
[3] going to be used, brought directly into the Joe Camel
[4] campaign in 1988, would it have been something you
[5] would have rejected as not pursuing the same goals and
[6] not part of the campaign?
[7] A: It was one picture. It wasn't a
[8] campaign.
[9] Q: Right.
[10] A: It was - it was an illustrated camel
[11] smoking a cigarette.
[12] Q: Right.
[13] A: And it was, I would say, kind of a
[14] life-like detailed illustration. And in that respect
[15] it was similar to what ultimately became the Joe Camel
[16] campaign of life-like illustrated camels -
[17] personifying camels, if you will. There's some
[18] consistency there, but -
[19] Q: Right.
[20] A: - I don't know what your point is.
[21] Q: Let me try - I don't always have a
[22] point, Mr. Iauco. I'm just asking questions.
[23] The - let's do at it this way. The
[24] figure you have open to you, and maybe you can read
[25] for the record the Bates stamp at the bottom of that

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[1] punk camel.
[2] A: I'm sorry? Read what?
[3] Q: Just read the number. The little printed
[4] number there right above your thumb.
[5] A: Yeah. RJM030977.
[6] Q: We'll just call that page 977 for
[7] convenience.
[8] The - I take it if you're in charge of
[9] the Camel campaign at its inception in 1988, and you
[10] had received a number of executions and one of them
[11] had been like page 977, you're telling me you would
[12] have rejected that?
[13] A: Clearly.
[14] Q: Okay. If you had also received an
[15] execution that used the figure that you understand to
[16] be the French Camel, would you have rejected it?
[17] A: No. In fact, I think that a very close
[18] translation of that was used as one of the core
[19] executions of the 75th birthday campaign -
[20] promotional campaign.
[21] Q: Thank you.
[22] I'd like to show you what was previously
[23] marked as Deposition Exhibit 146, and ask you - this
[24] is a document dated March 5, 1985. So once again,
[25] it's a couple of months before you came back to be

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[1] marketing director in charge of Camel. I'm curious to
[2] know if you've ever seen it or if you're aware of this
[3] document?
[4] A: Just this one page?
[5] Q: Yeah.
[6] A: (Reading document)
[7] No. I've never seen this before.
[8] Q: Okay. Do you know who Mr. James S.
[9] Carpenter, the author of the memo, is?
[10] A: Yes.
[11] Q: What area does he work?
[12] A: I don't think he's - I'm sure he's no
[13] longer with the company.
[14] Q: I'm sorry. And my question should have
[15] been what area did he work in?
[16] A: I believe he worked in Tobacco
[17] International, our subsidiary.
[18] Q: That's what TI is in the middle?
[19] A: Yes.
[20] Q: And of course, we've already talked about
[21] Mr. Coffield and Mr. Holt who were shown as copied on
[22] this. But when you were came on a couple of months
[23] later, nobody gave you this memo and said, Here's an
[24] update or -
[25] A: Not that I can ever recollect.

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[1] Q: Okay. You see that Mr. Carpenter
[2] indicates that the design was used in France during a
[3] time when an attempt was made to youthen the brand;
[4] right?
[5] A: Uh-huh.
[6] Q: And that's consistent certainly with your
[7] understanding of the ultimate goal of the Joe Camel
[8] campaign, right, to youthen up the brand?
[9] MS. BIXENSTINE: Objection. Go ahead.
[10] THE WITNESS: I wouldn't use that term. And I
[11] think it's an unfortunate term that Mr. Carpenter
[12] used. That suggests something that it isn't. It
[13] suggests minors under age, and I don't believe that
[14] was his intent. I believe that what he was talking
[15] about was the same thing that I was talking about,
[16] which was an attempt to change the perceptions of
[17] Camel as a brand for very old smokers to one that is
[18] for younger adult smokers within the legal age.
[19] BY MR. ROWE:
[20] Q: But as you indicated -
[21] A: For purchasing cigarettes.
[22] Q: - the Joe Camel campaign was going to
[23] target 18-to-24-year-old smokers and make it more
[24] relevant to them; right?
[25] A: Correct.

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[1] Q: And certainly the experience with the
[2] French Camel suggested that the use of the - of
[3] that - of some version of an illustrated Camel coming
[4] out of the pack could help do that, according to
[5] Mr. Carpenter; right?
[6] A: Well, apparently, they had some evidence
[7] of that in France that it - because it was, quote,
[8] funny, unexpected, that it was more relevant to
[9] younger adult smokers. They talk about people engaged
[10] in university riots and car burnings, so I'm not sure
[11] what kind of smoker in France. I mean again, this
[12] is - I wasn't aware of this. But there was clearly
[13] an indication here that they felt that - that the
[14] more stayed heritage of the brand was more appropriate
[15] than that market.
[16] Q: Now, when you indicated that the purpose
[17] of the Joe Camel campaign - the reason you were
[18] seeking a different campaign was to undo some of the
[19] negative perceptions, why was there an interest in
[20] becoming more relevant to 18-to-24-year-old smokers as
[21] opposed to staying mostly relevant with fifty-plus
[22] smokers?
[23] A: Because fifty-plus smokers obviously was
[24] a market segment that would shrink over time. And
[25] importantly, I think that we recognized that the

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[1] reason why we were relevant among fifty plus - and
[2] I - you know. There's a range around that. It's not
[3] an absolute - was because Camel was a brand that was
[4] relevant to them when they were younger, and that was
[5] no longer the case. And therefore over time the brand
[6] was declining. Our business was declining.
[7] Q: Right. Those smokers fifty plus had
[8] stayed loyal to Camel as a group for a long period of
[9] time?
[10] A: By and large. By and large.
[11] Q: And you knew that in the industry there's
[12] a high degree of loyalty to brands?
[13] MS. BIXENSTINE: Objection. Vague. Go ahead.
[14] You can answer.
[15] THE WITNESS: Loyalty plays a role in this
[16] business. And what we knew was that Camel was not a
[17] brand that was in kind of the relevant set of
[18] consideration for a lot of smokers, a wide range of
[19] adult smokers. And that becomes a problem, because
[20] they tend not to even want to try the brand. It's
[21] just not considered a relevant brand that they would
[22] consider. And when that happens, typically the
[23] business will decline over time.
[24] BY MR. ROWE:
[25] Q: Because the loyal smokers get older and

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[1] their number declines, and you're not replacing them
[2] with any new smokers?
[3] A: They quit -
[4] MS. BIXENSTINE: Wait. Objection to the term
[5] "new smokers." It's vague. Go ahead. I'm sorry.
[6] THE WITNESS: That's all right.
[7] Any brand for any product that is not considered
[8] relevant, today's brand, a popular choice, is going to
[9] decline over time. If they don't have appeal. If the
[10] brand doesn't have appeal to the current users of that
[11] product.
[12] In our case, we, for any brand, desire to have a
[13] positive perception to be relevant to all adult
[14] smokers in order to grow that brand's business. And
[15] when there is a large segment of adult smokers that
[16] find the brand irrelevant, old-fashioned, yesterday's
[17] brand, that's a problem -
[18] MR. ROWE: Sure.
[19] THE WITNESS: - for the business.
[20] BY MR. ROWE:
[21] Q: And it becomes, as you indicated, more
[22] and more of a problem over time, because that group
[23] becomes older who've already found your brand
[24] irrelevant, and the people who believe your brand is
[25] relevant become older still and there are fewer of

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[1] them smoking it; right?
[2] A: I guess you could say that. It's a
[3] problem when it starts, when the perceptions are found
[4] to be negative, and it's a problem that -
[5] Q: Just gets worse over time?
[6] A: Well, I don't know that it gets worse.
[7] It just doesn't get better.
[8] Q: Right. Right. And the reverse is true -
[9] also, isn't it? That if a brand is relevant to a
[10] group of younger adult smokers, 18-to-24-year-old type
[11] smokers, that over time if they stay loyal, and you
[12] see a lot of loyalty, then that becomes better and
[13] better for the brand, in terms of its sales
[14] performance?
[15] A: That can happen. I think more
[16] importantly when it - what we found is that when a
[17] brand is relevant among younger adult smokers, call
[18] them 18 to 24, 21 to 24, it doesn't matter, when it is
[19] relevant among that younger adult smoker segment, it
[20] tends to be more popular and more relevant among all
[21] adult smokers. Because many smokers want to identify
[22] with the popular brands. The brands that are most
[23] relevant. The brands that are seen as today's choice.
[24] And that bodes well for the brand among all age
[25] groups. And whether it be them choosing it as their

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[1] usual brand where they devote most of their purchases
[2] to it or them choosing it as a relevant occasional
[3] brand, second choice brand, they buy it occasionally,
[4] it's positive for the business. So I think that's one
[5] of the reasons why we have put attention on that
[6] younger adult segment.
[7] Q: Is because your research shows that when
[8] you're doing well there your product is going to be
[9] doing well?
[10] MS. BIXENSTINE: Objection. Go ahead.
[11] THE WITNESS: That can be. That can be. It's -
[12] not an absolute. There are other ways to do well.
[13] There are other ways to effect switching in this
[14] market. It has nothing to do with younger adult
[15] smokers. But that is one way in which brands can
[16] demonstrate vitality in the marketplace.
[17] BY MR. ROWE:
[18] Q: There are brands that do well, Winston,
[19] for instance, do well in the market that do not do
[20] well with 18-to-24-year-olds; right?
[21] MS. BIXENSTINE: Objection. It's kind of vague.
[22] But if you can answer it, go ahead.
[23] THE WITNESS: I don't know what you mean by "do
[24] well"?
[25] BY MR. ROWE:

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[1] Q: Let's do it another way. Think of Camel
[2] prior to the Joe Camel campaign, when it was doing
[3] well with fifty-plus male smokers but not in other
[4] segments in the market. It was still a brand that had
[5] the ability to sell at least to that segment of the
[6] market; right?
[7] A: I wouldn't say that it was doing well.
[8] It had a large share among that group of smokers. But
[9] I wouldn't say that it was doing well. It just had a
[10] large - a large part of its business was concentrated
[11] there.
[12] Q: Okay.
[13] A: But the brand suffered from overall
[14] perceptual deficiencies that meant that it was not
[15] doing well across the board.
[16] Q: Right.
[17] A: I don't know that it was attracting a lot
[18] of fifty-year-old smokers from competitive brands, you
[19] know, because its perceptions were not positive. So I
[20] wouldn't call that doing well.
[21] Q: Okay. Can you think of any brand that
[22] was doing well within the 18-to-24-year-old group but
[23] not successful in the market overall?
[24] A: I don't know what you mean by "not
[25] successful in the market overall?"

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[1] Q: Well, that's all right.
[2] The exploratory that you mentioned that
[3] took several years into how to reverse the image or
[4] perceptions of Camel, when did that start? Was it
[5] before you came back to Camel as a marketing director?
[6] A: I think we began to look for ideas. I
[7] just don't recall. I think it may have been at the
[8] tail end of when I was a senior brand manager on the
[9] brand. It could have been after I had left the brand.
[10] We were certainly involved in it when I came back as
[11] marketing director.
[12] Q: So it may have started sometime in the
[13] 1983, '84 time frame, but it certainly was going by
[14] June of 1985?
[15] A: I would say that's correct.
[16] Q: You indicated that all of our
[17] documentation would indicate that Camel was more
[18] relevant to 18-to-24-year-old smokers after you had
[19] the Joe Camel campaign going; is that right?
[20] A: No. I didn't say that.
[21] Q: I'm sorry. I know I wrote down a note
[22] about you indicating something about all of your
[23] documentation.
[24] A: I said - I think I made the comment that
[25] our documents clearly point out that our - the

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[1] target - where we were aiming the Camel campaign
[2] primarily was to 18-to-24-year-old smokers.
[3] Q: As opposed to smokers who were younger
[4] than 18?
[5] A: Certainly.
[6] Q: And as opposed to people who were not yet
[7] smokers?
[8] A: Yes.
[9] Q: When you said the documentation indicates
[10] that, do you have any particular set of documents in
[11] mind or -
[12] A: No. I mean we have annual plans, I
[13] suppose, and other documents that - some of which I
[14] guess you just showed me in terms of during the
[15] campaign development process that were written,
[16] articulating what we were trying to accomplish. And I
[17] suppose there are reams of paper that have been
[18] generated over the years.
[19] I wouldn't say - I would never say all
[20] of it, because who knows what someone wrote at some
[21] point in time. And we've had lots of employees
[22] involved in these efforts. But I think that the - I
[23] would say the vast majority of our documents that I'm
[24] aware of all, you know, communicate what our intent
[25] was in terms of development of the Camel campaign.

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[1] Q: And you're confident that the documents
[2] by and large show that the campaign is aimed at
[3] 18-to-24-year-olds and not younger individuals?
[4] A: Absolutely.
[5] Q: And does your confidence in that stem
[6] from a recollection of any instruction within the
[7] company not to refer to under 18 in the documents?
[8] A: Not to refer to under 18?
[9] Q: Right.
[10] A: No. My recollection comes from a clear
[11] articulation, understanding, and within the company
[12] that our objective and that our marketing activities
[13] are aimed only at adult smokers.
[14] Q: And where do you get that clear
[15] understanding from? Is there a written policy or -
[16] A: There - yes. There's a written policy.
[17] It's in the code that we share with all incoming
[18] employees in the Marketing Department. There's
[19] articulation, I believe, to all incoming sales
[20] employees relative to a kind of code of conduct. And
[21] it is something that is discussed with all new
[22] employees as a matter of routine. It's an
[23] understanding that we have, that I've had ever since I
[24] joined this company in 1975.
[25] Q: That was going to be my next question.

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[1] This is not something that has changed over time; it's
[2] been consistent during your 22 years at RJR?
[3] A: Yes, it has.
[4] Q: And when you - are you aware of when
[5] that understanding took root in the company before you
[6] came? Do you know?
[7] A: I'm not aware of any particular date.
[8] Q: But you have a clear understanding that
[9] at least as of 1975, and looking forward, the
[10] company's written and otherwise stated objective has
[11] never been to sell to underage smokers or nonsmokers?
[12] A: Our policy is to market to adult smokers.
[13] And that has been consistent ever since I joined the
[14] company.
[15] Q: Okay. Certainly the company recognizes
[16] that under 18s do smoke?
[17] A: Yes.
[18] Q: The company recognizes that most smokers
[19] start smoking before they're 18?
[20] MS. BIXENSTINE: Objection.
[21] THE WITNESS: It depends on what you mean by
[22] "start smoking." I think we recognize that there's a
[23] lot of experimentation that does occur.
[24] BY MR. ROWE:
[25] Q: Okay. Is there a recognition that the

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[1] majority of people who smoke a pack a day or more
[2] start doing that before they're 18?
[3] A: No. I'm not aware of any -
[4] Q: Okay.
[5] A: - recognition of that; studies that
[6] indicate that.
[7] Q: Okay. Is there a recognition that most
[8] smokers choose a usual brand before they're 18?
[9] A: Not necessarily. No. I'm not aware of
[10] that.
[11] Q: But you do recognize that there is
[12] experimentation by smokers under 18?
[13] A: Sure. I think there are government
[14] studies that indicate that.
[15] Q: And there are RJR studies that indicate
[16] it too; right?
[17] A: There are - I think are documents that
[18] reference government studies that indicate that.
[19] Q: Okay. In fact, there are RJR documents
[20] that indicate that if a man has never smoked by the
[21] age of 18, the odds are three to one he never will;
[22] right?
[23] A: I don't know. That could be.
[24] Q: There are RJR documents that indicate
[25] that most smokers begin smoking regularly and select

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[1] usual brand at or before the age of 18; right?
[2] A: I -
[3] MS. BIXENSTINE: Objection. If you have
[4] specific documents you want to show him, that's fine.
[5] THE WITNESS: I'm not aware of any specific
[6] document.
[7] MR. ROWE: Okay. Let's actually go ahead and
[8] take a break then right now, if you're at the end of
[9] the tape.
[10] THE VIDEOGRAPHER: We're off the record at
[11] 11:00.
[12] (Recess)
[13] THE VIDEOGRAPHER: We're back on the record at
[14] 11:08.
[15] Q: Mr. Iauco, I want to show you a document
[16] that was previously marked Deposition Exhibit 32, and
[17] ask you to take a look at it. My first question will
[18] be if you've ever seen it before. I do recognize that
[19] the date is 1974, which is before you started with the
[20] company. But I'm still curious to know if you've ever
[21] seen it?
[22] A: (Reviewing document)
[23] Is this all the same document here?
[24] Yeah. Page 5.
[25] Q: Right. Six-page document.

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[1] A: I may have seen this document in
[2] preparation for other, you know, litigation in some
[3] other cases. I don't recall exactly this particular
[4] document, but I may have.
[5] Q: Have you ever seen this document in the
[6] course of your work?
[7] A: No.
[8] Q: And you haven't seen it in preparation
[9] for today?
[10] A: No.
[11] Q: Do you know who Mr. Tredennick is or was,
[12] the author of the document?
[13] A: I recall Mr. Tredennick.
[14] Q: You met him?
[15] A: Yes. Yeah. Years ago.
[16] Q: He worked in the RJR Marketing Research
[17] Department?
[18] A: Yes.
[19] Q: Did you ever know Mr. F. H. Christopher,
[20] Jr.?
[21] A: Yes.
[22] Q: And did he also ever work in the
[23] Marketing Research Department?
[24] A: I think he did for a period of time.
[25] Q: You see on the last page - did you want

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[1] to take a moment to -
[2] A: Yeah. I have not read this all. If
[3] you're going to ask me questions about it, I think I
[4] should probably read it.
[5] Q: That's fine.
[6] A: (Reading document)
[7] Okay.
[8] Q: You see at the beginning of the memo,
[9] Mr. Tredennick opens with the question he's
[10] addressing, the purpose of this memorandum is to
[11] answer the question what causes smokers to select
[12] their first brand of cigarette?
[13] A: (Witness nodded head affirmatively)
[14] Q: Is that a question that you have seen RJR
[15] address at any time since July 3, 1974?
[16] A: I don't know.
[17] Q: Is that a question that - whose answer
[18] was of interest to you when you were in charge of the
[19] Camel brand?
[20] A: Yeah. As it relates to first usual brand
[21] of cigarettes. Or ascribing loyalty to a particular
[22] brand over another.
[23] Q: And why was it of interest to you?
[24] A: Just to understand our marketplace. What
[25] the dynamics of it are.

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[1] Q: And was it also of interest in
[2] understanding the dynamics of your marketplace to
[3] formulate marketing strategies best designed to get
[4] smokers to select your products as their first brand?
[5] A: It helps to understand how - I guess,
[6] how to make our brands most appealing to smokers. And
[7] if it happens to be in an age range where smokers -
[8] we believe a lot of smokers are selecting their first
[9] usual brand, that they haven't landed on it yet, then
[10] yes, it would be relevant.
[11] Q: And that's - knowing what causes smokers
[12] to select their first brand of cigarette is a piece of
[13] information that can help you formulate a strategy to
[14] try to get those smokers to select your brand Camel as
[15] their first brand of cigarette?
[16] A: If that's what the intent is. The
[17] objective. Again, in Camel's case, the objective is
[18] to generate the highest appeal among adult smokers 18
[19] to 24. So we do know that a lot of smokers in that
[20] age range are - you know, occasionally use a number
[21] of brands, and that they haven't necessarily locked in
[22] on a certain brand yet and devoted the majority of
[23] their loyalty to that brand. So it is in our interest
[24] to understand how might we appeal to them. How might
[25] we make our brand appealing to them.

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[1] Q: And particularly because smokers as a
[2] group stay loyal to their brand after they choose it?
[3] A: Some do. Some don't.
[4] Q: All right. You see down - about halfway
[5] down the first page that Mr. Tredennick says, Over
[6] fifty percent of men smokers start smoking fairly
[7] regularly before the age of 18 and virtually all start
[8] by the age of 25. Is that information that you have
[9] heard accepted in other places at RJR other than in
[10] this memo?
[11] A: Not - no. Not necessarily accepted as a
[12] result of this memo either. There are all kinds of
[13] caveats throughout this memo of this is judgment, we
[14] don't have the data, we've tried to - this is
[15] hypothesis, and so on. And I don't - I don't know
[16] that there's any good data even today on that.
[17] Q: Okay. For that particular proposition,
[18] Mr. Tredennick cites the Department of Health,
[19] Education and Welfare; right?
[20] A: Yeah. But again it depends on what is
[21] the definition of smoking? What is the definition
[22] of -
[23] Q: Starting -
[24] A: - fairly regularly?
[25] Q: Fairly regularly. Right.

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[1] A: I don't know.
[2] Q: Okay. And you notice that in the
[3] paragraph immediately after the citation to the
[4] Department of Health, Education, and Welfare, that
[5] there's a citation to the 1972, Yankelovich -
[6] Y-A-N-K-E-L-O-V-I-C-H - Monitor. Are you familiar
[7] with the Yankelovich Monitor?
[8] A: Yankelovich.
[9] Q: Yankelovich. Thank you.
[10] A: I have some familiarity with it.
[11] Q: Okay. What is that? Is that a
[12] government study?
[13] A: No. It was a - I think you'd call it a
[14] syndicated study that a group of researchers put
[15] together. I don't even know if it's still being done,
[16] but it was done back in this time frame and for a
[17] number of years, where its primary purpose, as I
[18] recall, was to kind of monitor trends in the
[19] marketplace, overall, for a lot of different
[20] attitudes, products, and so on. And kind of track
[21] changes in trends. So I believe that's what that was.
[22] Q: Did you ever use or rely upon
[23] Yankelovich?
[24] A: Yankelovich.
[25] Q: Yankelovich?

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[1] MS. BIXENSTINE: "You," meaning Mr. Iauco or
[2] "you," meaning Reynolds?
[3] BY MR. ROWE:
[4] Q: "You," meaning Mr. Iauco?
[5] A: I have seen it. I think we subscribed to
[6] it for a number of years off and on. And I remember
[7] reading reports on it. I don't know that we - that I
[8] or the company relied on it in particular. I think it
[9] was just another input to try to understand where the
[10] country was going. Where the market in a general
[11] sense was going. How attitudes were changing.
[12] Q: Okay. Then you see over at page 6 in the
[13] summary that Mr. Tredennick concludes that, if a
[14] person is going to smoke cigarettes, he generally
[15] starts during his teens.
[16] A: That would include 18 and 19, I believe.
[17] Q: All right. You see that he indicates
[18] it's primarily to conform with the close friend or
[19] friends to give himself created confidence in stress
[20] situation, or to avail himself of the physical
[21] enjoyment smoking offers; right?
[22] A: That's what it says. That's what is
[23] hypothesized here.
[24] Q: In your experience is that hypothesis
[25] accurate or inaccurate as it applies to the reason

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[1] that people start smoking?
[2] A: My experience is based on studies that
[3] have been done in this area. For example, Gallup
[4] polls, Surgeon General's report that get at - try to
[5] get at this question of why do people start smoking.
[6] As you mentioned early on, this whole
[7] treatise, as it is, which is loaded with opinions and
[8] hypotheses, tries to answer the question what causes
[9] smokers to select their first usual brand of
[10] cigarettes. And now you're asking a question relative
[11] to what gets people started smoking. That wasn't the
[12] purpose of the exploratory that was done here
[13] apparently.
[14] What the sources that I'm aware of, for
[15] example, Gallup polls, all indicate is the primary
[16] reason or reasons why people start smoking is due to
[17] peer group influence. Friends that smoke, as well as
[18] parental example. That those are the two key reasons
[19] that - why people start smoking. There are a variety
[20] of other reasons, but they're of much lesser
[21] importance.
[22] Q: Okay. And on page 5, Mr. Tredennick
[23] indicates that his view is that the specific causes of
[24] why someone selects a first usual brand are primarily
[25] the influence of friend or peer group, and he

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[1] downplays the influence of family; right? Parental
[2] influence?
[3] A: During this period of time, yeah, he does
[4] have a comment in there. He certainly indicates that
[5] friends and peer group seems to be very, very
[6] important. He's talking about the choice of a brand.
[7] And in this case, he is hypothesizing that a parent's
[8] influence on the choice of the brand is - is not a
[9] key factor.
[10] Q: All right.
[11] A: And again I believe it's a hypothesis on
[12] his part based on what was going on at that period of
[13] time.
[14] Q: And in your experience the parental
[15] influence is still an important factor?
[16] MS. BIXENSTINE: For a choice of brand?
[17] BY MR. ROWE:
[18] Q: For a choice of brand?
[19] A: For a choice of brand?
[20] Q: For a choice of first brand?
[21] A: I don't think I said that.
[22] Q: Oh. Okay.
[23] A: And I don't really believe that that's
[24] the case.
[25] Q: Okay.

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[1] A: I don't know. That's the best answer I
[2] can give you.
[3] Q: Okay. His third little bullet point
[4] there or dash-dash point on page 5 indicates that the
[5] user image that has become associated with a
[6] particular brand is one of the primary specific causes
[7] for selection of a first usual brand. Is that
[8] consistent with your experience and understanding?
[9] A: My experience would suggest that the
[10] image of who uses a particular brand is important in
[11] the selection of that brand, no matter who the smoker
[12] is. Whether it's a first user brand or whether it's a
[13] consideration of a brand switch, or whatever.
[14] Yeah. The perceptions of who uses that
[15] brand plays a role.
[16] Q: Okay. So that would be true in the case
[17] of selecting a first brand as well?
[18] A: I believe so.
[19] Q: Back on page 1 of that memo for one last
[20] item. In sorting - in citing the data from the
[21] Department of Health, Education, and Welfare,
[22] Mr. Tredennick did cite statistics relating to smokers
[23] starting at 17 and under; right?
[24] A: Yes.
[25] And again, what starting means is a

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(1) question relative to this data and even data that
(2) exists today.
(3) Q: This was documentation that
(4) Mr. Tredennick felt was of some relevance to the
(5) company?
(6) A: Apparently, someone asked a question as
(7) to what caused - how do smokers select their first
(8) usual brand. What are the causes of the selection of
(9) first usual brand. And he points out, particularly in
(10) the introduction, that there isn't - there is not
(11) definitive data to answer that question, so he was
(12) pulling on a number of different sources to try to
(13) answer that question. This happened to be one source.
(14) I don't know whether it was the - it was a good
(15) source of information back then. Who knows. I don't
(16) know how valid any of this was back then.
(17) Q: Okay. I'm going to show you a document
(18) that was previously marked as Deposition Exhibit 147.
(19) It's a memo from D. S. Burrows to P. E. Galyan -
(20) G-A-L-Y-A-N - dated September 20, 1982, which was a
(21) time that you were working as senior brand manager at
(22) RJR Tobacco on the Camel brand; right?
(23) A: What was the date?
(24) Q: September 20, 1982.
(25) A: Yes. I would have been on Camel then.

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(1) Q: I'd like to know if you ever saw that?
(2) A: I don't believe I've ever seen this.
(3) Q: Do you know who D. S. Burrows is?
(4) A: Yes.
(5) Q: She was formerly employed at RJR?
(6) A: Yes.
(7) Q: She still does consulting work for RJR?
(8) A: Yes. I believe at this point in time. I
(9) know that Mr. Galyan works in our forecasting area
(10) forecasting trends. And I think Ms. Burrows worked in
(11) that area as well. Because I know she - a good part
(12) of her career at RJR was in Marketing Research that
(13) including forecasting at this time.
(14) Q: Okay. My questions are focused on pages
(15) 2 and 3 of - if you want to take a minute to read the
(16) whole document, you're welcome to.
(17) A: Yes. I'd like to.
(18) (Reading document)
(19) Okay.
(20) Q: On page 2, Ms. Burrows states that based
(21) on the material she cites on page 1, including HEW
(22) studies, This pattern implies that if a male is to
(23) become an adult smoker it is probable he will have
(24) started by a certain age. And then she charts the
(25) ages starting at age 12; right?

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(1) A: Yeah. She's relating some government
(2) studies in what I believe is an attempt - this was a
(3) year before the industry faced a major federal excise
(4) tax increase. These people - I know Mr. Galyan. I'm
(5) not sure about Ms. Burrows - were involved in trying
(6) to predict what would happen to industry volume as a
(7) result of this major tax increase. All of industry -
(8) I remember this time period. All of industry was
(9) concerned about projecting their business going
(10) forward.
(11) So I believe that this was an attempt to
(12) try to get at some industry - some base dynamics of
(13) the industry in an effort to project what the industry
(14) volume would be following the price increase - or
(15) federal excise tax increase. Excuse me.
(16) Q: And as part of that effort to get at the
(17) base dynamics of the industry, Ms. Burrows thought it
(18) would be helpful to chart the beginning ages of
(19) smokers beginning at age 12 and showing how many start
(20) at 12, 13, 14, 15, 16, 17, and so forth?
(21) A: I guess.
(22) Q: And Ms. Burrows -
(23) A: I don't know why.
(24) Q: And Ms. Burrows concludes, If a man has
(25) never smoked by age 18, the odds are three to one he

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(1) never will; right?
(2) A: Again, that's what she's saying that the
(3) HEW report is saying.
(4) Q: Have you ever heard that sentiment
(5) expressed at RJR and accepted?
(6) A: No.
(7) Q: You see at the very -
(8) A: We would have no reason - I mean I have
(9) to - the implication here is that somehow we're
(10) interested in getting people to start smoking, and I
(11) have a problem with that. Because that has never been
(12) something that we would discuss that we had an
(13) interest in. Our market is adult smokers. And the
(14) implication that somehow this indicates that we were
(15) interested in understanding how and when people start
(16) smoking and particularly youth is just false. It's
(17) just wrong.
(18) Q: If more people start smoking in the next
(19) few years than have started smoking in the past, that
(20) would be better for the cigarette industry as a whole,
(21) wouldn't it?
(22) A: I don't know whether it would be better
(23) for the cigarette industry. It really has little
(24) relevance to what we're all about in terms of our
(25) company. And that is to get a bigger share of the

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[1] adult smoker market. And we've got a quarter of that
[2] market. There's fully three quarters that's been out
[3] there that represents choice of competitive brands.
[4] That's a huge opportunity for us to get a bigger piece
[5] of that business. And that's where we put our - we
[6] turn our attention to. And to somehow suggest that we
[7] would be interested in expanding the market, that it
[8] would be easy to expand the market, or that we could
[9] even be successful in somehow expanding the market is
[10] just false. It's crazy. It's bad - it's bad
[11] business - it doesn't make good business sense. It
[12] makes bad business sense.

[13] Q: Why?

[14] A: Because to - when you've got three
[15] quarters of people that already choose to smoke
[16] available to you, the - from a marketing standpoint,
[17] your ability to switch those smokers - to attract
[18] already-committed smokers to your brands is going to
[19] be a heck of a lot easier and possible versus trying
[20] to get someone who is not even interested in smoking,
[21] interested in the product, and somehow appeal to them
[22] to take up the act of smoking, to become a smoker. I
[23] mean to suggest that it would be a good business
[24] proposition, to put money against that versus the
[25] former, against smokers that are already in the

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[1] market, is folly. It's crazy. It makes no business
[2] sense whatsoever.

[3] Q: Have you ever seen that?

[4] A: Not to mention the grief that we would
[5] get as an industry if we ever tried or attempted to do
[6] that, which would ultimately result in a negative
[7] impact on our business. And result in less marketing
[8] freedoms. It's crazy.

[9] Q: Have you - have you ever seen the crazy
[10] proposition from Ms. Burrows or other RJR employees
[11] that it is easier to attract first usual brand young
[12] adult smokers than to get switchers?

[13] A: I have seen that, yeah. Of course, I
[14] have. But that's not the same thing as what you're
[15] suggesting.

[16] Q: Okay. What's the difference?

[17] A: The difference is that she's talking
[18] about first usual brand younger adult smokers. She's
[19] talking about younger adult smokers, 18-plus years of
[20] age, people that are smokers, that have not yet
[21] decided on a usual brand, that are early in
[22] considering various brands and haven't really devoted
[23] loyalty to a particular brand yet. And that's a
[24] theory. And one that she was a heavy proponent on -
[25] of that, you know, she believed in. I don't

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[1] necessarily believe that it's easier or that -
[2] certainly, I don't believe that it's the only way, and
[3] there are countless examples in our market where other
[4] brands have been very successful by not attracting
[5] first usual brand smokers. So - but that's a
[6] different proposition than the one that you're
[7] suggesting.

[8] Q: And the difference is that - as you
[9] understand the proposition of Ms. Burrows, it is that
[10] the people are already smokers, they just haven't yet
[11] selected their usual brand?

[12] A: That they're not only already smokers,
[13] but they're already smokers and they're adults.

[14] Q: Okay. And how do we - how does
[15] Ms. Burrows define who is a smoker for that purpose?
[16] What volume - what level of usage makes someone not
[17] an experimenter but a smoker?

[18] A: I don't recall. I think in - most of
[19] the research that we do, we talk to smokers and
[20] qualify them as not being just occasional smokers but
[21] being regular smokers that devote - you know, that
[22] smoke five - at least five to ten cigarettes per day.
[23] Something in that range. I don't know that there's a
[24] precise definition that she ever was a proponent of or
[25] that we've ever, you know, agreed among ourselves that

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[1] this is what we mean. But we obviously are most
[2] interested in people - adults that are confirmed
[3] smokers that use the product, purchase the product, on
[4] a frequent basis.

[5] Q: And those who would be less than five to
[6] ten cigarettes per day would be - you'd refer them as
[7] either occasional smokers or experimenting smokers;
[8] right?

[9] A: I guess. We don't talk about them. We
[10] don't even think about that a whole lot. Again, I'm
[11] talking about when we do our developmental research,
[12] when we go out and talk to smokers to find out what
[13] they want, what they're looking for, we make sure that
[14] we're talking to people that are not experimenters.
[15] These are people that are smokers. They consider
[16] themselves smokers. And they purchase the - their
[17] brand or their - the product on a frequent basis.

[18] Q: Okay. Now, my proposition, call me crazy
[19] if you will, was that if an experimenter, if the
[20] universion experimenters in the next couple of
[21] years were - let me start again.

[22] Over the past two years a certain number
[23] of experimenters have become confirmed smokers; right?

[24] A: I don't know.

[25] Q: People generally start out experimenting

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[1] with cigarettes before they leap right into becoming
[2] confirmed smokers?
[3] **MS. BIXENSTINE:** Objection to the form of the
[4] question. Go ahead.
[5] **THE WITNESS:** I don't know.
[6] **BY MR. ROWE:**
[7] **Q:** Okay.
[8] **A:** I mean - I don't know. I've never
[9] studied that.
[10] **Q:** Do you believe that all of the people who
[11] experiment with cigarettes decide not to smoke?
[12] **A:** No. And I don't -
[13] **Q:** Okay.
[14] **A:** I also don't believe that all the people
[15] that try smoking or experiment with it ultimately end
[16] up being -
[17] **Q:** Sure.
[18] **A:** - regular smokers.
[19] **Q:** Okay. So we -
[20] **A:** Just by -
[21] **Q:** So we can agree that some percentage of
[22] the group of experimenters become confirmed smokers;
[23] right? It's not all of them, but it's some of them?
[24] **A:** I could agree to that.
[25] **Q:** Okay. If the - if that percentage of

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[1] people experimenting with cigarettes, and if the total
[2] number of people experimenting with cigarettes, goes
[3] up, then there is a greater opportunity for the
[4] industry as a whole to obtain sales as they become
[5] confirmed smokers; right?
[6] **A:** That's just not the way we look at the
[7] market.
[8] **Q:** I appreciate this may not be the way -
[9] we're now dealing with the way I would look at it if I
[10] were running a cigarette company, and nobody has put
[11] me in charge of one.
[12] **A:** I don't think you would be.
[13] **Q:** Right.
[14] **A:** You wouldn't be there long if you did.
[15] **Q:** But if I were running a cigarette company
[16] I would say, Gees, one potential place we could get
[17] smokers is if more experimenting smokers become
[18] confirmed smokers. Because then there will be more
[19] people smoking. And I won't have to spend as much of
[20] my energy getting that three quarters of the market
[21] out there that's not using my product to switch to my
[22] product. I'll have a new source of potential
[23] business.
[24] **A:** That's some real twisted logic there.
[25] **Q:** Okay.

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[1] **A:** To suggest that, number one, you could be
[2] effective in doing it, to suggest that there's enough
[3] business there ultimately that it would be worth your
[4] while, and to suggest that it would be economically
[5] more - you'd get a higher return, to me, you can't
[6] pass any one of those tests. And it's twisted logic.
[7] **Q:** Okay.
[8] **A:** That - and further, I would go and say
[9] that it is wholly against the policy of this company,
[10] and the industry as far as I know, but certainly this
[11] company. I can speak for this company directly. And
[12] one of the reasons is because it would bring - any
[13] attempt to do that, successful or not, I believe would
[14] bring down a great deal of wrath on the industry.
[15] More than what we have today.
[16] **Q:** Okay. In taking your three reasons that
[17] you listed as why - I'm not sure it's fair to call
[18] them reasons. You raised three objections to even the
[19] proposal. That there's no demonstration that it would
[20] be effective, there's no demonstration that there
[21] would be enough business generated by it, and that no
[22] demonstration it would be economically a higher return
[23] than some other places. I want to focus on the second
[24] one.
[25] **MS. BIXENSTINE:** And I object to your

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[1] characterization that that was the exclusive list that
[2] Mr. Iauco mentioned.
[3] **MR. ROWE:** Okay.
[4] **THE WITNESS:** Yeah. Because I raised another
[5] one beyond that too.
[6] **BY MR. ROWE:**
[7] **Q:** And the other was the wrath of the
[8] market?
[9] **A:** Yes.
[10] **Q:** I'm sorry. Okay. I just want to focus
[11] you on the second one.
[12] Why is it that it wouldn't be clear that
[13] there would be enough business out there if we
[14] currently have a world where there are 40 million
[15] smokers and there are - in the United States, and two
[16] hundred million nonsmokers in the United States?
[17] Isn't that a large group of people who are at least
[18] potentially business if these other caveats could be
[19] overcome?
[20] **A:** I don't view them as potential sources of
[21] business. Because they have made their decision. And
[22] the decision is not to smoke. And how - I have no
[23] idea how I could convince them otherwise.
[24] **Q:** Okay. Right. And that gets to the point
[25] of is there any effective way to take someone like me

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[1] who doesn't smoke and say, John, we want you to start
[2] smoking and use our product? There may be no
[3] effective way to market it?

[4] A: I don't think so. I think it goes to a
[5] core principle that I believe in, and it comes from my
[6] schooling, my understanding in marketing, and my
[7] experience in this business, and that is I just don't
[8] believe that you can create demand for a product like
[9] cigarettes, that - you can satisfy demand. But you
[10] cannot create it.

[11] Q: Okay. That doesn't really go to the
[12] question of whether, at least theoretically, if you
[13] could create demand, there would be a lot of business
[14] out there for - if people like myself who are
[15] currently nonsmokers became smokers?

[16] A: But I don't buy the theory.

[17] Q: Okay. But I was just trying to
[18] understand your four objections. I don't understand
[19] the second one -

[20] A: All right.

[21] Q: - that there wouldn't be enough
[22] business. There would be lots of business.

[23] A: Because I don't believe that you could be
[24] successful, so I don't believe there would be lots of
[25] business. You see?

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[1] Q: All right. So really then the second one
[2] is just restating the first one that there's no
[3] demonstration you could pull it off?

[4] A: Well, I guess I would also question -
[5] you posed it in a way that there are experimenters,
[6] and there's so much experimentation going on that if
[7] you could somehow convert that experimentation to
[8] regular use that that - would that represent a big
[9] business opportunity. I'm not aware that there's so
[10] much experimentation going on that really that
[11] would - even if it was theoretically possible, that
[12] it would result in a great deal of business or
[13] opportunity for this industry. I would question that.

[14] Q: Okay. You would agree that the peer
[15] group influence plays a role in the determination a
[16] person makes to select their first usual brand?

[17] A: Yes.

[18] Q: You agree or disagree that peer group
[19] influence plays a role in someone starting to smoke at
[20] all?

[21] A: Yes. I believe that's the primary
[22] factor.

[23] Q: Right. If the influence of the peer
[24] group becomes stronger on a wider group of the peer
[25] group, there will be more smokers; right?

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[1] A: I don't know what you mean by that?

[2] Stronger among a wider group? I'm not sure what you
[3] mean by that?

[4] Q: Okay. Let me try again. The peer group
[5] influence that causes some people to begin smoking is
[6] acting upon a group, a peer group; right?

[7] A: It's simply this. Your friends, close
[8] associates smoke. That has an influence on you.
[9] You're around them. You want to take part in
[10] activities that are similar to what they do. You want
[11] to be part of the group. They're your friends.

[12] Q: Right.

[13] A: They're your peer group. You want to be
[14] accepted by them. You want to be part of the group.
[15] That's what peer group influence is.

[16] Q: Sure. And if the -

[17] A: So I don't know what you mean by a wider,
[18] stronger.

[19] Q: Okay.

[20] A: It's simply there.

[21] Q: So if the people who are smoking and
[22] influencing others to smoke become a bigger group, if
[23] more people are smoking among a certain age group,
[24] then more people are going to take on smoking, because
[25] of peer group influence; right?

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[1] MS. BIXENSTINE: Objection.

[2] THE WITNESS: I don't know. You're weaving this
[3] hypothetical view. Possibly. Possibly. But you're
[4] suggesting that somehow we can make that happen.

[5] BY MR. ROWE:

[6] Q: No. No. I'm not suggesting. I'm just
[7] saying if it happens for you. If peer group pressure
[8] spreads out over a broader segment of those who are in
[9] the stage where they might begin to smoke, then there
[10] will be more smokers at the end of the process?

[11] MS. BIXENSTINE: Objection. Vague.

[12] THE WITNESS: I don't know. I don't know.

[13] BY MR. ROWE:

[14] Q: It's not something that RJR looks at to
[15] try to see how broad a peer group is being influenced
[16] to smoke?

[17] A: No. No. We don't. We're not interested
[18] in how to expand this category. That is not something
[19] that we talk about that really enters into our
[20] planning or conversations. What we're interested in
[21] is how we can make our brands appeal more to adult
[22] smokers in the marketplace today than the competitive
[23] brands. How we can compete for that business that is
[24] out there; it's readily available. And that's what we
[25] devote our energy to. That's been our policy. It's

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[1] the whole framework of our thinking.
[2] Q: Can I take that binder back?
[3] A: Sure.
[4] Q: Thanks.
[5] I want to show you what's been marked as
[6] Deposition Exhibit 5. It's a February 29, 1984,
[7] strategic research report authorized by - authored by
[8] Diane Burrows, and sent to Mr. Long, as well as
[9] Mr. Orlowski, and Mr. H. J. Leeds, and it has a large
[10] copy list. My question is going to be if you've ever
[11] seen it. It's a very long document. And I don't have
[12] a lot of questions about it, but I'm really hoping
[13] you've already seen it.
[14] A: You're hoping I won't read it. I don't
[15] see my name on the copy list.
[16] Q: No. You're not.
[17] A: It's not a good sign.
[18] Q: You're not on the copy list. But I
[19] thought you might be familiar with it anyway. It's
[20] called "Younger Adult Smokers, Strategies and
[21] Opportunities." And although the document certainly
[22] speaks for itself, I think it's fair to say that this
[23] is one of the places where Ms. Burrows expressed the
[24] theory that you mentioned a few minutes ago that she
[25] was so ardent in espousing. The younger adult smokers

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[1] versus switchers idea.
[2] A: The first usual brand younger adult
[3] smokers.
[4] Q: Right. Right.
[5] A: Yes. I don't know that I've seen this
[6] particular document. But I am well aware of the work
[7] that Ms. Burrows did. And I was in a number of
[8] presentations that I recall where she, you know,
[9] talked about her theory, her - the study. And I know
[10] that this was one point of view that she supported
[11] very strongly at that time. So I can't tell you that
[12] I've seen this document -
[13] Q: Okay.
[14] A: - per se.
[15] Q: All right. And the point of view that
[16] she expressed you were just testifying about would be
[17] summarized, for example, on page little 1 right at the
[18] beginning. I think it's the third page of the
[19] document, or fourth page of the - fourth page of the
[20] document. It's right there. It's captioned
[21] "Management Summary" up at the top.
[22] A: Yes.
[23] Q: And for the record, it's Bates stamp
[24] 501928465.
[25] A: Correct.

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[1] Q: And she expresses at the two bullet
[2] points the views that the renewal of the market stems
[3] almost entirely from 18-year-old smokers; no more than
[4] five percent of smokers start after age 24. And the
[5] other key point in her theory, the brand loyalty of
[6] 18-year-old smokers far outweighs any tendency to
[7] switch with age; right? Is that what you understand
[8] to be the core of Ms. Burrows' theory?
[9] A: No. The core of her - the core - the
[10] reason for her to put this together I think is
[11] articulated in the purpose paragraphs that are at the
[12] top of this document that I think it's important to
[13] enter into the record here.
[14] Q: Okay.
[15] A: Is that this is intended to assist the
[16] company in optimizing strategic position with respect
[17] to younger adult smokers 18 to 24 by clarifying their
[18] importance versus smokers 25 plus. And then she goes
[19] on to talk about it. That's the purpose.
[20] These bullet points that you referenced
[21] are some of the reasons why she believes that it's
[22] important that the company optimize its strategic
[23] position with respect to younger adult smokers.
[24] Q: Yeah. And over on page 2 of the
[25] report - this would be the regular number 2, so

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[1] you've got to go about four or five pages from where
[2] you are. This is Bates stamp 501928471. It's titled
[3] up at the top "The Importance of Younger Adult
[4] Smokers." And you see under "Volume," she says that
[5] younger adult smokers are the only source of
[6] replacement smokers. Have you ever heard her express
[7] that view within the company?
[8] A: No. I can't say that I have. I think
[9] that's a term that is used in some of these government
[10] studies.
[11] Q: The term "replacement smokers"? ..
[12] A: Yes.
[13] Q: You have not heard that term used by
[14] Ms. Burrows?
[15] A: I don't recall hearing that specific
[16] term. It's not something that is part of our usual -
[17] Q: Okay. All right.
[18] MS. BIXENSTINE: You've got to finish your
[19] answer.
[20] MR. ROWE: I'm sorry.
[21] THE WITNESS: Well, it's not part of our usual
[22] commentary or discussion of the market - marketplace.
[23] We don't - we don't talk about replacement smokers.
[24] Again, I think what I indicated earlier in terms
[25] of the basic thrust of how we view this market and the

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[1] opportunity within it is among current smokers -
[2] current adult smokers.

[3] BY MR. ROWE:

[4] Q: If you would flip over to Exhibit 6, the
[5] very next one, also a -

[6] A: You're talking about this tab 6?

[7] Q: Yes. Thank you. This is Deposition

[8] Exhibit 6 that was previously marked. It's a document
[9] titled "Younger Adult Smokers." And I would like to
[10] know if you've ever seen that before?

[11] A: (Reviewing document)

[12] I may have seen this.

[13] Q: Is this one of the presentations that you
[14] mentioned you had seen on the subject?

[15] A: It could have been. It could have been.

[16] It looks like it could have been. Yeah.

[17] Q: Well, I won't ask you to go through the
[18] whole thing. Do you recognize the typeface as RJR
[19] typeface? Is there anything about this document that
[20] we can identify as -

[21] A: Just glancing on it, what I recognize is
[22] some examples of other products that I recall being
[23] discussed. Like Jack Daniels whiskey and Budweiser,
[24] and, you know, some other adult products that were
[25] used as examples to try to make their point and sell

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[1] A: You mean location?

[2] Q: Contacts? The meeting?

[3] A: Oh. Yeah. It would have been a meeting.

[4] First of all, I wouldn't have been involved in this if

[5] I was in - working for the RJR Development Company
[6] because we're off -

[7] Q: Trying to come up with new brands?

[8] A: Yeah. Working on a separate project.

[9] Premiere cigarettes, in particular.

[10] Q: Right.

[11] A: And it was a totally separate effort.

[12] Prior to that, when I was vice president
[13] of Brand Management, this would be - would have been

[14] something that would - I would have been included in

[15] presentations, coming out of what was then the - I

[16] think it was called the Marketing Development

[17] Department, which was really kind of Marketing

[18] Research, included some other functions, like

[19] forecasting, strategic research, which is what this

[20] was. And it was a group of people that - whose

[21] primary accountability was to look at the market and

[22] try to view it in different ways and suggest different

[23] strategic approaches to help us to improve our
[24] business.

[25] And I think that's what this represents.

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[1] this point of view.

[2] Q: And when you say "their point," that's
[3] Ms. Burrows' point or -

[4] A: Yeah. Again, she was a big proponent of
[5] this particular direction of concentrating more effort
[6] on younger adult smokers and making our brands more
[7] relevant to that group.

[8] Q: Do you know whether she was the author of
[9] this particular presentation?

[10] A: I do not.

[11] Q: When you say their point of view, are
[12] there others in the company who championed that view
[13] along with Ms. Burrows?

[14] A: Yeah. There was another individual Dick
[15] Nordine that was also - worked on some of this.

[16] Q: Any others who were closely aligned with
[17] Ms. Burrows and Mr. Nordine in working on the -

[18] A: Those are the two that come to mind. I
[19] don't recall others.

[20] Q: Do you - presentations such as
[21] Exhibit 6, where would you receive them in 1988, if
[22] you were vice president for Brand Management, or
[23] perhaps by that time you were senior vice president?
[24] What was - what would be the place that they would
[25] make their presentation?

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[1] It represents a point of view that was strongly sold

[2] at that point in time that was - we ought to focus

[3] most of our efforts on younger adult smokers.

[4] Q: And in the course of selling that point

[5] of view, Ms. Burrows and Mr. Nordine played a role in

[6] influencing the company's decision to adopt the Joe

[7] Camel promotion and try to change the franchise of the

[8] Camel brand?

[9] THE WITNESS: No.

[10] MS. BIXENSTINE: Objection. It's compound and

[11] vague. You're talking about Joe Camel and something

[12] about repositioning the Camel brand.

[13] BY MR. ROWE:

[14] Q: You can answer.

[15] A: All right. Let me start with the first

[16] part of it, Joe Camel. I don't recall this having any

[17] direct influence on Joe - on the Joe Camel campaign.

[18] What I do believe is that Ms. Burrows would have

[19] endorsed our focusing on 18-to-24-year-old smokers for

[20] Camel as being a way to turn that brand's business

[21] around, because she believed so strongly in this

[22] particular theory.

[23] Did it have influence on - overall on

[24] the company's efforts? To some degree, but not

[25] entirely. We had a lot of other efforts going on at

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(1) that time for other brands that were not focused on.
(2) First usual brand smokers or 18-to-24-year-old adult
(3) smokers. You know. We had other efforts. We had a
(4) huge effort on Premiere that was a product innovation
(5) that was clearly not directed to 18-to-24-year-old
(6) smokers. I think there's ample demonstration of other
(7) activities that were going on that really weren't
(8) centered on this theory.
(9) Q: But Joe Camel was at least consistent
(10) with the theory?
(11) A: It was consistent in respect to being
(12) focused at maximizing appeal among 18-to-24-year-old
(13) smokers.
(14) Q: I'd like to try to do one more document
(15) before lunch if we can.
(16) I'd like to show you what's previously
(17) been marked as Deposition Exhibit 148. It's titled
(18) "Youth Target, 1987." That's also a long document.
(19) A: Oh, I've read this one.
(20) Q: Oh. Okay. Good.
(21) A: For litigation purposes. This is the
(22) first time I've seen it. Because it's come up in some
(23) of these cases.
(24) Q: Do you remember which one it came up in?
(25) A: I don't remember which one. I have to -

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(1) I don't remember.
(2) Q: Is it your testimony that you had not
(3) seen it during 1987, when you were marketing director
(4) of Brand Marketing or vice president of Brand
(5) Management?
(6) A: That's correct.
(7) Q: But you are somewhat familiar with it
(8) from having looked at it in litigation?
(9) A: Yes.
(10) Q: Do you - apart from the document, had
(11) you ever heard, outside of litigation, that RJR had
(12) received - RJR MacDonald had received information of
(13) this nature?
(14) A: Not that I recall.
(15) Q: RJR MacDonald is a Canadian subsidiary of
(16) RJR?
(17) A: No. It's part of RJR Tobacco
(18) International. And it's part of that company.
(19) Q: Okay.
(20) A: And frankly we have - over the years
(21) we've had very little collaboration with them. We've
(22) had some - you know, just every once in a while we
(23) kind of share what we're doing around the world, and
(24) Canada would be included in it. Be they're much more
(25) a part of Tobacco International than they are RJR

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(1) Tobacco, the domestic company.
(2) Q: And Tobacco International was the one we
(3) saw in the James Carpenter memo TI; right?
(4) A: Yeah.
(5) Q: Now, is RJR MacDonald part of TI?
(6) A: Yes.
(7) Q: And you had no awareness of the study by
(8) Exhibit 148 when you were formulating the Joe Camel
(9) strategy? Promotional campaign?
(10) A: I don't recall having any awareness of
(11) this specific study. Again, the first time I've ever
(12) seen this document was in litigation preparation.
(13) Q: Is RJR Tobacco International, TI - do
(14) you have an understanding of whether they adhere to
(15) the policy that you described for me earlier relating
(16) to the company not targeting smokers under 18?
(17) A: I believe they do. I'm also aware of the
(18) documentation that went back and forth. This is a
(19) syndicated piece of research that was sold to RJR
(20) MacDonald. And I'm aware of the fact that a letter
(21) was sent to, I guess the Creative Research Group, the
(22) author of this study, indicating that we were - that
(23) we - that RJR MacDonald was interested in receiving
(24) the study but asked them to focus it on adults. And
(25) that Creative Research Group sent back a letter

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(1) confirming that direction. And then apparently sent
(2) the study. And it includes some information on youth.
(3) Q: Okay. Includes quite a bit of
(4) information on youth?
(5) MS. BIXENSTINE: Objection.
(6) THE WITNESS: It's a matter of opinion. I don't
(7) know. I haven't looked at it recently, but -
(8) BY MR. ROWE:
(9) Q: Well, it certainly says at the forward
(10) that youth target in 1987 is the first of a planned
(11) series of research studies into the lifestyles and
(12) value systems of young men and women in the 15 to 24
(13) age range; right?
(14) A: Yes. It says that. It also says that
(15) there were quotas for 15 to 17, 18 to 21, 21 - 22 to
(16) 24 age ranges. And clearly the direction was we're
(17) interested in the 18 to 24. That's where our
(18) marketing emphasis is. Please focus your report on
(19) that group. On those groups.
(20) So, you know, again, I think this is
(21) probably a case of, you know, syndicated study. This
(22) wasn't one that was customized for RJR MacDonald. It
(23) was simply some study that was done and then pitched
(24) and shopped around to various industries, companies,
(25) that were interested in the age ranges that were

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(1) covered. And RJR MacDonald said, Yeah, we're
(2) interested in receiving it, but focus it on adults.
(3) That's our market. They ended up getting this report.
(4) And that's all I know about it.

(5) Q: The information in the report includes a
(6) a breakdown of different types of young people into
(7) transitional adults, tomorrow leaders, big city
(8) independents, quiet conformers, et cetera. Have you
(9) ever heard that terminology used within RJR as a way
(10) of understanding the profile of young adult smokers?

(11) A: That specific terminology?

(12) Q: Uh-huh.

(13) A: No.

(14) Q: How about the concept? That young adult
(15) smokers break into various groups and that some of
(16) them are more interested in conformance, some are the
(17) thank God it's Friday crowd, and all that? Have
(18) you -

(19) A: There have been attempts, I think, to
(20) segment - sub-segment, if you will; younger adult
(21) smokers that we have made in the past. I don't even
(22) recall what they were. And given that you're already
(23) talking about a fairly small group, it's hard to
(24) sub-segment them.

(25) But I think there have been some

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(1) suggestions that there are sub-segments out there and
(2) some attempts at trying to do it. But not - I'm not
(3) aware of any attempt to do it along these lines
(4) or that they - and any sub-segment attempts that have
(5) been made by us were similar to these. I'm not aware
(6) of that.

(7) Q: As part of your efforts to market your
(8) products towards young adult smokers, do you attempt
(9) to understand characteristics about those young
(10) people, such as what products appeal to them, what
(11) their attitudes are, what their politics are, that
(12) sort of thing?

(13) A: Sometimes. Sure. When - we focus on
(14) younger adult smokers, so we're talking about adults
(15) and we're talking about smokers. And clearly to
(16) understand what they like, what they don't like, what
(17) their attitudes are, is important in trying to develop
(18) propositions that will have the most appeal to them.
(19) I mean, again, it gets back to kind of a fundamental
(20) on marketing. You don't create demand. You satisfy
(21) it. So first you have to understand what - what the
(22) wants are before you can satisfy them.

(23) Q: Okay. And when you say "younger adult
(24) smokers," is there a difference between, as you use
(25) it, a young adult smoker and a younger adult smoker

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(1) or -

(2) A: I'm speaking of 18 to 24. I mean we have
(3) used the - in the past, we have used the 18 cutoff
(4) date or age as being adult and legal. Now it's become
(5) legal pretty much nationwide. Back in the early '90s,
(6) we even raised that to 21. So I guess it would have
(7) two different definitions over time.

(8) Q: Okay.

(9) A: Back prior to, I think it was 1992, it
(10) was 18 to 24. And now it would be 21 to 24, I guess.

(11) Q: Okay. Are you aware of any time since
(12) you've been at RJR when the line was less than 18?

(13) A: No. I'm not - are you talking about -
(14) what do you mean by the line?

(15) Q: Well, you've mentioned that prior to
(16) 1992, it was - 18-to-24-year-olds would be what was
(17) included in young adult smokers, and that after 1992,
(18) it's 21-to-24-year-olds, I guess. Has there ever been
(19) a time when younger adult smokers were used to refer
(20) to people under 18?

(21) A: I don't think so. You're talking about
(22) use of a term. I can tell you this, there has never
(23) been a time when I've been with this company that we
(24) have focused our plans, our marketing efforts on any
(25) smoker or individual younger than 18.

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(1) MR. ROWE: Is this a good time for a lunch
(2) break?

(3) MS. BIXENSTINE: Yeah.

(4) THE WITNESS: Sure.

(5) THE VIDEOGRAPHER: We're off the record at
(6) 12:11.

(7) (Luncheon recess)

(8) THE VIDEOGRAPHER: We're on the record at 1308.

(9) BY MR. ROWE:

(10) Q: Mr. Iauco, we were talking before the
(11) break at one point about criticisms that have been
(12) leveled at Joe Camel, including you mentioned some
(13) studies, including one by Mr. Fisher, or Dr. Fisher,
(14) and you mentioned that you had looked at some studies
(15) that were done in response, including Mizersky study.
(16) Did RJR do anything to alter the Joe Camel campaign in
(17) response to the criticisms from Dr. Fisher and others?

(18) A: I'm not aware of anything that we did in
(19) particular to alter it. Obviously, we have,
(20) throughout the development of the campaign and
(21) involvement of the campaign, been, you know, sensitive
(22) to ensuring that each of the executions, the
(23) activities, whatever, the promotional programs that
(24) have emanated from the campaign are appropriate in
(25) terms of being adult oriented.

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[1] I would have to say, though, that, you
[2] know, those studies - what they purported to indicate
[3] was a level of awareness or appeal of the campaign to
[4] youth. And regardless of whether or not that campaign
[5] has awareness among kids, we continue to maintain and
[6] I maintain that it's irrelevant. It does not cause
[7] kids to smoke. And the notion, which was indicated in
[8] the studies, that because there was an awareness among
[9] some kids of the Joe Camel campaign, that somehow that
[10] was leading to a higher incidence of smoking among
[11] youth, is, we believe, false. It's never been
[12] substantiated in any way. And I think that it's
[13] irresponsible to suggest it without - without having
[14] some proof of it.

[15] Q: You knew before the campaign started
[16] that - or one of the questions or concerns that you
[17] had was that the use of the illustrated character
[18] might result in criticism of RJR that some people
[19] would charge you with targeting kids; right?

[20] A: I indicated that it was my recollection
[21] that we had some discussions about that.

[22] Q: Right.

[23] A: I don't recall who exactly. I think I
[24] was involved in some. Obviously, I have that
[25] recollection. But -

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[1] Q: I'm sorry.

[2] A: We had - I think we had some
[3] discussions. Will we get attacked for this.

[4] Q: Right.

[5] A: Is this something - is somebody going to
[6] charge us for something that, you know, isn't true.

[7] Q: And after the campaign started, you were
[8] in fact charged with that -

[9] A: Yes, we were.

[10] Q: - by various people?

[11] And you didn't do anything before the
[12] campaign to alter it, to adjust it to the possibility
[13] of the charges, and I guess after the charges were
[14] leveled, you still didn't do anything to alter the
[15] campaign in response to those charges; right?

[16] A: Well, it's not really true. When -
[17] before the campaign - in other words, in its
[18] development, what we did was ensure that its appeal
[19] was among adult smokers. And we did a thorough amount
[20] of research to satisfy ourselves that in fact it was
[21] appealing. And we did that not so much because we are
[22] concerned about criticisms, but because it was just
[23] good business sense for us to do that. And we knew
[24] exactly who we were trying to appeal to, and we
[25] satisfied ourselves that that campaign did appeal to

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[1] adult smokers.

[2] After, as I mentioned, we have, you know,
[3] been vigilant I think in terms of reviewing various
[4] executions to ensure that they had appeal and that
[5] they had a minimum opportunity to be criticized by -
[6] in the external environment. You know. In
[7] particular - and we set up - we set up an approach,
[8] company wide, to do a better job for that. We have a
[9] panel, for example, we have a review panel, that we
[10] set up, in - gosh, it seems like it was in - around
[11] 1990, somewhere in that time frame, '89, '90, to
[12] review all of our advertising.

[13] On that panel sits parents, minority
[14] representatives, women, and so on, that review all of
[15] our ads and provide an opinion as to whether or not
[16] they are executed in good taste, whether or not they
[17] feel that they violate our code, and try to provide,
[18] you know, some external to marketing sensitivity to
[19] the various issues that we deal with. And every ad
[20] that we run has passed that panel, and if they reject
[21] it, we don't run it.

[22] Q: How long has that panel been in place?

[23] A: I think it was in - I think it was in

[24] 1990. I can't recall specifically. It was after the
[25] problem that we had with a particular Camel execution,

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[1] bored, lonely, restless, I think it's been - it's

[2] come to known, part of the Camel smooth moves
[3] promotional effort. And we instituted that panel.

[4] Our CEO asked us to institute that panel. And we have
[5] used it ever since.

[6] Q: Did the pop-up Camel ads go before that
[7] panel?

[8] A: No. They were before we had that panel
[9] in place.

[10] Q: And no pop-up ads ran after that panel
[11] was in place?

[12] A: No. We've had - if you're referring to
[13] executions that happen to have some -

[14] Q: Right.

[15] A: - kind of a die cut that might pop up.

[16] Q: Right.

[17] A: No. We've had executions like that
[18] since - why wouldn't we? I mean there's - what - I
[19] don't, and I don't think anyone else would, view the
[20] fact that an ad which is designed to have more impact
[21] and pop up when you open up the magazine is somehow an
[22] issue relative to youth or women or minorities or
[23] something. I don't understand.

[24] Q: You don't think so?

[25] A: No.

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[1] Q: You would agree that pop-up figures are
[2] generally appealing to children?
[3] A: No. I wouldn't necessarily agree with
[4] that.
[5] Q: Do you ever see the market for children
[6] books that have pop-up figures in them?
[7] A: Yes.
[8] Q: Are you aware of any -
[9] A: I've seen books like that.
[10] Q: Are you aware of any comparable market
[11] for adult books that have pop-up figures?
[12] A: That's the whole content of the book.
[13] First rule in advertising is get the - get the
[14] attention of the reader. And all pop-ups do in
[15] advertising is just that. They get the attention of
[16] the reader. They stop them on the page in an
[17] otherwise passive medium. And it's used by adult
[18] products. It's got nothing to do with kids.
[19] Q: Are you aware of any criticism leveled by
[20] current or former RJR employees that RJR's marketing
[21] was slicing at younger and younger after the leverage
[22] buy-out?
[23] A: No. I'm not aware of that.
[24] Q: Are you aware of any current or former
[25] RJR employees expressing the view that since kids are

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[1] going to smoke anyway we might as well show them our
[2] menu?
[3] A: Our menu?
[4] Q: Our products?
[5] A: I'm aware of some - again, through some
[6] preparation for litigation of some documents that have
[7] been produced over the years by employees that had
[8] opinions that were - that appeared to be contrary to
[9] the policy of the company.
[10] Q: Can you give me examples of those
[11] documents?
[12] A: Yeah. Claude Teague. You know. A
[13] document that has appeared in the media and, you know,
[14] has been flashed around as somehow suggesting that
[15] what he proposed was the company's intent, clearly had
[16] views that were - if you read the document, were at
[17] odds with what the company's policies were, and were
[18] never followed through with.
[19] Q: Are you aware of any other employees
[20] besides Mr. Teague expressing the view that since kids
[21] are going to smoke anyway we might as well market our
[22] products to them?
[23] A: None come to mind right now.
[24] Q: Are you aware of Mr. Long requesting
[25] information on young adult smokers from employees in

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[1] your work group but instructing them not to give that
[2] information to them in writing?
[3] A: To my work group?
[4] Q: Uh-huh.
[5] A: No. Not to my work group.
[6] Q: Are you aware of him seeking information
[7] on young adult smokers from anyone and instructing
[8] them not to put it in writing?
[9] A: Young adult smokers?
[10] Q: Right.
[11] A: No. I don't recall not - no. I'm not
[12] aware of him making any requests and saying
[13] specifically don't put it in writing. No.
[14] Q: You indicated you testified in the
[15] Mississippi case; right?
[16] A: I gave a deposition.
[17] Q: Deposition. And are you generally aware
[18] of the - I don't quite know what to call it -
[19] proposed settlement that was entered into by a number
[20] of tobacco companies in approximately 40 states?
[21] A: Yes.
[22] Q: Are you aware that included in those
[23] terms that are being reviewed by congress are
[24] penalties that would be imposed upon RJR and other
[25] companies for failure to reduce underage smoking?

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[1] A: Yes.
[2] Q: Is there any discussion at the RJR
[3] Executive Committee of whether or not RJR was going to
[4] sign on to that proposal before they signed on?
[5] A: I don't - no. I don't recall or am not
[6] aware of any discussions. There's been a lot of
[7] discussions, you know, within the company, about the
[8] settlement. I don't recall the Executive Committee,
[9] you know, specific discussions there. And certainly
[10] the Executive Committee has not been a part of the
[11] decision or the part of the negotiation of that
[12] settlement.
[13] Q: The decision on behalf of RJR was made by
[14] the CEO without input from the Executive Committee?
[15] A: The decision was made at - at the RJR
[16] Nabisco level.
[17] Q: Mr. Schindler wasn't consulted at all?
[18] A: I don't know. You'd have to ask him. I
[19] don't know.
[20] Q: Okay. Are you aware of any discussions,
[21] whether at ex com or elsewhere, of - that you
[22] participated in or heard about in terms of what it is
[23] that RJR can do to reduce underage smoking?
[24] MS. BIXENSTINE: Objection to the form of the
[25] question. You're talking about at any time has there

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[1] been a discussion within Reynolds about how to reduce
[2] underage smoking?

[3] BY MR. ROWE:

[4] Q: Yeah. What I'm really going for is what
[5] are the available options, if any, that RJR, as you
[6] understand it, would perceive it has within its
[7] capability to try to help reduce underage smoking?

[8] A: You're talking about relative to the
[9] settlement?

[10] Q: Uh-huh.

[11] A: So specific to that provision in the
[12] settlement?

[13] Q: Well, yeah. There's a provision in the
[14] settlement that RJR was going to accept penalties if
[15] underage smoking doesn't go down. Do you understand
[16] RJR to believe it can help reduce underage smoking or
[17] is it just planning to pay the penalties? Or do -

[18] A: I think it's going to be - I don't think
[19] it's entirely - I don't think it's much in our
[20] control at all, to be honest with you. It's my own
[21] personal opinion. I think that reducing access, and
[22] we have been a proponent of reducing access to
[23] cigarettes - youth access to cigarettes, can probably
[24] and is already I think having an impact in terms of
[25] the ability of youth to easily purchase cigarettes.

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[1] And that is something that we've worked hard with
[2] retailers to encourage them to do a better job of
[3] policing that, if you will. We have spent a lot of
[4] money and a lot of effort developing training
[5] programs, the "It's the Law" program that we
[6] developed, and we spent a lot of our salespeople's
[7] time going out, working with retailers to provide that
[8] program to them to help them to train their clerks and
[9] so on. And it's our belief that reducing access will
[10] have an impact, a positive impact, in terms of youth
[11] smoking.

[12] Beyond that, I really don't know at this
[13] point what can be done. I clearly believe it will not
[14] be within our control.

[15] Q: Did I understand you to say that the
[16] "It's the Law" program would be something that RJR has
[17] done to help reduce access to cigarettes among youth?

[18] A: Yes.

[19] Q: Okay. Is there anything - and you
[20] mentioned the sales people's time, working with
[21] retailers. Is there anything else that RJR has done
[22] in the past to help reduce access of youth to
[23] cigarettes?

[24] A: Access?

[25] Q: Right.

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[1] A: We had a number of programs, the "It's
[2] the Law" has been, I think, one of the most effective,
[3] and that ended up turning into a program that the
[4] retail industry developed with our help and got
[5] broader distribution for. The week hard program.

[6] Prior to its - or support the law.

[7] Excuse me. Prior to "Support the Law," there was an
[8] industry-wide effort which we supported, again,
[9] emphasizing minimum age to purchase.

[10] Specific to reducing access at retail, I
[11] can't think of other things that we have done.

[12] Now, we have very tight standards in
[13] terms of our direct mail programs, our sampling
[14] programs, that we abide by that have been in place for
[15] many years. We don't sample to anyone under the age
[16] of 21. We don't mail product to anyone that we don't
[17] have a signed certification that they are a smoker
[18] over the age of 21. I mean there are a number of
[19] elements of our code and our ongoing business
[20] practices that are all designed to minimize, if not
[21] eliminate, the ability to access our products.

[22] Youth's ability to access our products.

[23] Q: Were any of those programs - are there
[24] any programs that were not in effect prior to the
[25] signing of the settlement documents?

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[1] MS. BIXENSTINE: Objection. I don't understand
[2] the question?

[3] BY MR. ROWE:

[4] Q: Let me try it another way. Do you have
[5] any programs in mind or actions that RJR can take to
[6] help reduce access of youth to cigarettes that were
[7] not already in place prior to the signing of the
[8] settlement?

[9] A: Not that I'm aware of. We have not
[10] yet -

[11] Q: Okay.

[12] A: - you know, come up with other ways in
[13] which we can deal with that particular provision.

[14] Q: But, as I understand it, the settlement
[15] provision is not to maintain current levels of -

[16] A: No. It's to reduce.

[17] Q: To reduce underage smoking. And you're
[18] saying, as one of the ten or fifteen highest ranking
[19] executives at RJR Tobacco, that RJR Tobacco has no
[20] current plan of how it's going to reduce underage
[21] smoking in compliance with that settlement?

[22] MS. BIXENSTINE: Objection. He said -
[23] misstates his testimony.

[24] THE WITNESS: What I said is we don't have
[25] specific plans right now. I mean the settlement

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[1] just - we were just - we just became aware of the
[2] elements of the settlement. The specific terms of the
[3] settlement. So we certainly have not had the time yet
[4] to even address that particular issue.

[5] **BY MR. ROWE:**

[6] **Q:** And no one said before signing the
[7] settlement. We better find out if we can do this?

[8] **A:** Not to my knowledge.

[9] **Q:** And my understanding is that RJR Nabisco
[10] rather than RJR Tobacco was driving the decision to
[11] sign the settlement?

[12] **A:** As far as I know. Again, I have not been
[13] involved in it directly, so you're not -

[14] **Q:** Certainly, no one came to you and said,
[15] David, can we rationally sign a settlement that we
[16] agree to reduce underage smoking because you have some
[17] idea of how we might do it?

[18] **A:** That's correct. No one came to me.

[19] **Q:** No one came to you?

[20] **A:** You know. I think we stated publicly
[21] when this - when the settlement was made public that
[22] there were a number of provisions of the settlement
[23] that we didn't necessarily agree with, but that it's
[24] the result of negotiating and trying to put - trying
[25] to come to some agreement and reach some peace in

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[1] terms of the issue of tobacco in America. And what we
[2] have, I think, at this point is - is agreement
[3] between - or among the parties that were negotiating.
[4] But obviously not everyone agrees with every element
[5] of it and it's not final yet either.

[6] **Q:** Right. Are you aware of the criticism
[7] that's been leveled at that settlement that the
[8] tobacco companies, including RJR, may well choose to
[9] deal with the underage smoking provision by simply
[10] paying the penalty and raising the price of
[11] cigarettes?

[12] **A:** I've heard that expressed.

[13] **Q:** Are you aware of whether that is indeed
[14] the intention of RJR?

[15] **A:** I don't think we have stated any intent.

[16] **Q:** I'm not interested in what's been stated.
[17] I mean are you aware?

[18] **A:** No. No. We haven't sat around and said,
[19] Boy, that's what we're going to do. I think that's a
[20] very real possibility, because we just don't have
[21] control over that.

[22] **Q:** You think that the retiring of Joe Camel
[23] might help reduce underage smoking?

[24] **A:** Not a bit.

[25] **Q:** Won't have any impact?

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[1] **A:** I don't think it will have any impact
[2] whatsoever.

[3] **Q:** What do you base that on?

[4] **A:** My experience. My knowledge of this
[5] category. Just my experience. I mean, they've had
[6] advertising bands in other countries that have had no
[7] effect on overall consumption, on youth smoking in
[8] those countries. You're suggesting that one
[9] advertising campaign is going to have some effect? I
[10] don't think so.

[11] We have stated from - since criticism of
[12] the Camel campaign began is that if there was any
[13] valid indication that this campaign was causing any
[14] kids to begin smoking, we would pull it. And everyone
[15] that's been involved in it believes that, and we just
[16] haven't seen - seen that. And I don't believe that
[17] moving away from that campaign is going to have any
[18] effect whatsoever.

[19] **Q:** The possibility of an advertising band
[20] has been discussed over the years at RJR?

[21] **A:** Sure.

[22] **Q:** And have you ever heard the view
[23] expressed that it's important to attract first usual
[24] brand smokers before an advertising band gets put in
[25] place?

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[1] **A:** No. I've never heard that discussed.
[2] I've never been part of that kind of a discussion.

[3] **Q:** You're chuckling? I'm -

[4] **A:** Yeah. It's just -

[5] **Q:** Preposterous notion that someone would
[6] say we've got to try to beat the ad band and get our
[7] ads out there?

[8] **A:** To me it is. I mean I just -

[9] **Q:** I'm going to show you what's been marked
[10] as Deposition Exhibit 28, a document titled "Younger
[11] Adult Smoker Opportunity Purpose," and ask you if
[12] you've ever seen it before?

[13] **MS. BIXENSTINE:** It's 28?

[14] **MR. ROWE:** 28.

[15] **THE WITNESS:** (Reviewing document)

[16] I don't know whether I've seen this or not.

[17] **BY MR. ROWE:**

[18] **Q:** Okay.

[19] **A:** It does not ring a bell, but -

[20] **Q:** You recognize it as an RJR document?

[21] **A:** Well, yeah. It talks about RJR
[22] throughout. Yeah. It looks like an RJR document.

[23] **Q:** I want to call your attention to - does
[24] yours have legible numbers along the side? Are you
[25] able to read these numbers?

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[1] A: No.
[2] Q: Okay. Let me see if I can give you a
[3] better one.
[4] A: These small numbers are legible up here.
[5] Q: I would like you to look at the
[6] second-to-the-last page, which the other number is
[7] 506664557. It's titled "Younger Adult Smoker
[8] Opportunity." And in the summary of product
[9] technology opportunities, it states, RJR must begin
[10] now to capture younger adult smokers. Two points made
[11] under that are volume decline inevitable without
[12] younger adult smokers, and the potential for future
[13] advertising restrictions.
[14] Your testimony is is that you've never
[15] heard this particular argument advanced in any RJR
[16] meetings that RJR to get the younger adult smokers now
[17] because of the potential for future advertising
[18] restriction?
[19] A: I don't recall that being - I noticed up
[20] front here that they talk about it being advertising
[21] band would severely limit our ability to introduce new
[22] brand or attract - and I would have to agree with
[23] that. I mean we've talked about a band on advertising
[24] or further restrictions making it very, very difficult
[25] to ever introduce a new brand into the marketplace.

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[1] Because gaining awareness is one of the key things you
[2] have to do.
[3] Q: Sure. And would you agree with the
[4] second part of that, that an advertising band would
[5] severely limit RJR's ability to attract younger adult
[6] smokers?
[7] A: I don't know.
[8] Q: When you say they -
[9] A: Yeah. I think an advertising band makes
[10] it more difficult to accomplish anything. Any change
[11] in terms of brand choice. When you don't have the
[12] ability to communicate, you don't have the ability to
[13] do that.
[14] Q: When you say "they," you mean the authors
[15] of Exhibit 28?
[16] A: (Witness nodded head affirmatively)
[17] Q: Do you have any reason to believe that
[18] they weren't RJR employees?
[19] A: No.
[20] Q: The other part of this document I would
[21] like to ask you to look at is - see if I can get you
[22] the right number on this one. It would be near the
[23] front. It's approximately ten pages in. It's Bates
[24] stamp 506664508. It's a page titled "II. Market
[25] Dynamics," and it's got a chart through most of the

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[1] page called "Projected Effective Aging." That's it
[2] right there.
[3] Have you ever heard this number touted at
[4] RJR that if not reversed, the effects of aging will
[5] result in a 22 share point gap between RJR and Phillip
[6] Morris by 1995?
[7] A: I don't recall specific. You know, 22.
[8] But certainly, if trends continue, you know, the gap
[9] is going to widen. We've had discussions about that.
[10] It's common sense that if we continue to decline and
[11] they continue to grow, the gap widens and that's -
[12] Q: Okay. Beyond the common sense of that
[13] it's - you've heard the argument that it's the
[14] effects of aging that will cause that gap to continue
[15] to grow; right?
[16] A: Certainly. When you've got your business
[17] concentrated in the older segment, where quitting is
[18] more prevalent and where just aging out affects you to
[19] a greater degree than the competition that has their
[20] business concentrated with the younger adult segment,
[21] that that's going to happen.
[22] Q: Right. In fact, you have studies
[23] internally at RJR that show that the consumption of
[24] cigarettes by 50 and over falls off quite a bit from
[25] the 34 to 50 group; right?

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[1] A: I don't know. Perhaps. I'm not aware of
[2] that.
[3] Q: For the reasons you indicated, that the
[4] quitting, the aging process, and people dying?
[5] A: Are you talking about consumption rate
[6] per day or - I thought that's what you were referring
[7] to? What do you mean by consumption?
[8] Q: Consumption as a group, a group of
[9] smokers who are 34 to 50, as they age and become fifty
[10] and over will consume far fewer cigarettes because
[11] they're either quitting or dying?
[12] A: Well, people do die. That is true.
[13] Q: And people die of cigarettes?
[14] MS. BIXENSTINE: Objection.
[15] THE WITNESS: Well, we can debate that. But
[16] people do die. And quitting is pretty prevalent,
[17] once - after the age of fifty, I think quitting
[18] begins to increase significantly. So -
[19] BY MR. ROWE:
[20] Q: All right. So -
[21] A: There's -
[22] Q: - as long as Marlboro, for example, is
[23] strong with young adult smokers and Camel was strong
[24] with fifty and over smokers, then the effects of aging
[25] are going to result in a greater and greater gap

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[1] between RJR and Phillip Morris as demonstrated by
[2] Exhibit 28, page 506664508?
[3] A: Given everything else being equal, yes.
[4] Q: Microphone violation on my part. Dreaded
[5] microphone violation.
[6] I'm going to show you what - actually it
[7] might be in that same book. Is Exhibit 11 in there?
[8] A: No. It starts at 18, I believe. 18, 19.
[9] Q: Let's trade books here.
[10] A: I don't know how to do this.
[11] Q: Thank you.
[12] Exhibit 11 is titled "White Paper," I
[13] believe. "Camel Advertising Development White Paper."
[14] And my first question to you will be the usual one,
[15] have you ever seen that before?
[16] A: Well, without reading the whole thing, I
[17] don't have a recollection of seeing it before. It
[18] doesn't mean that I haven't. I mean I just -
[19] Q: What is a white paper, if you have any -
[20] A: I haven't a clue.
[21] Q: All right.
[22] A: It's not something that - and I don't
[23] know if it was produced by RJR.
[24] Q: It was.
[25] A: Okay.

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[1] which is actually the fourth page, because of the
[2] preliminary stuff, you'll see down the second bullet
[3] point from the bottom says that redemption of the
[4] T-shirt offer - and I think there's a reference right
[5] above that to the French Camel T-shirt offer done
[6] between March of 1985, and January of '86. Redemption
[7] of the T-shirt offer was nearly three times higher
[8] than Camel's average participation in FSI coupons. Do
[9] you know what an FSI coupon is?
[10] A: Sure. It's called a free-standing
[11] insert. It's typically a very low redeeming vehicle.
[12] It's in your - it's what's in your Sunday newspaper.
[13] When you open it up and all those coupons fall out,
[14] that's an FSI.
[15] Q: Okay.
[16] A: Very low redeeming vehicle that tends to
[17] appeal primarily to older people that are looking for
[18] discounts.
[19] Q: So this bullet point is certainly
[20] consistent with your earlier testimony that the Camel
[21] T-shirt promotion was not the lowest in the history of
[22] the company; right?
[23] A: That's correct. It was - it is
[24] consistent with that.
[25] Q: And in fact, we now have the statistic

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[1] Q: But I don't know if this document was
[2] authored -
[3] MS. BIXENSTINE: I think he meant -
[4] MR. ROWE: Yeah. I don't know if it was -
[5] MS. BIXENSTINE: I think he means it was
[6] produced by us in litigation. I don't think -
[7] MR. ROWE: That's right.
[8] MS. BIXENSTINE: - he meant produced generally.
[9] MR. ROWE: Yeah. I was just going to clarify
[10] that.

BY MR. ROWE:

[11] Q: The document was produced to us by RJR
[12] from its files. I do not know whether it was authored
[13] by someone at RJR.
[14] A: I don't really know either. And I guess
[15] part of the response to your question, What is a white
[16] paper, I'd have to say I don't know. Because it's not
[17] a common term like that we have a classification of
[18] documents that we call white papers or white papers
[19] are something that we normally produce as opinion
[20] pieces, or whatever, called studies. So that would
[21] lead me to believe that it may not be authored by
[22] someone at RJR. But I don't know. Again, I haven't
[23] read it.
[24] Q: If you look at page 2 of the document,

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[1] that it was nearly three times higher than one of the
[2] ones that you told me was one of the lower producing?
[3] A: I'd have to say that's not saying a whole
[4] lot for it. But as I recall back in this time period,
[5] FSI's were used quite extensively. And frankly there
[6] were a lot of Marketing people that says this is
[7] old - you know, this is a waste for us. FSI's are
[8] not really playing the kind of role that we would like
[9] our promotions to play. And so it was not being held
[10] to a very high standard.
[11] Q: Right. Although this - now, the authors
[12] of the white paper, whoever they may be, go on to
[13] state that you had extremely high redemption of 40
[14] percent among target competitive smokers, those being
[15] young adult smokers; right?
[16] A: That's - well, I don't know who it was
[17] here. At this point. I suppose.
[18] Q: Well, I was looking up at the top of the
[19] page where it says why Camel has an opportunity to
[20] target younger adult smokers.
[21] A: Okay.
[22] Q: And I was making the assumption that
[23] target competitive smokers were young adult smokers.
[24] That's certainly consistent with what you were telling
[25] me about the goal of the promotion; right?

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[1] A: Yes. It looks - it looks that way.
[2] Another point about FSI's as an alternative, because
[3] that's apparently what the comparison was here, is
[4] that FSI's tend to be very much oriented toward your
[5] current franchise, the current purchasers of your
[6] product. Again, they're just looking for a deal with
[7] discount. So I think the point was being made here is
[8] that the T-shirt offer was much more competitive -
[9] got the attention of competitive smokers, competitive
[10] adult smokers to a much greater degree than what we
[11] have seen in the past.
[12] Q: Okay. Now, in the bullet point right
[13] below that, the one we were talking about - it may be
[14] quickest if I just read the bullet point in the record
[15] and I'll ask you about it.
[16] Camel's Midwest share among males 18 to
[17] 24 years old grew from 3 percent in late 1984, to a
[18] peak level of 13.6 in March, 1986, at the completion
[19] of these targeted activities. This trend subsequently
[20] declined, indicating that a low Camel was able to
[21] stimulate a high interest among target smokers. There
[22] wasn't sufficient reason for them to convert over the
[23] long term. This would suggest an opportunity to
[24] provide a more relevant and motivated targeted image
[25] via new advertising.

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[1] A: Right.
[2] Q: Is that consistent with your
[3] understanding of the role of advertising and marketing
[4] the product?
[5] MS. BIXENSTINE: Objection to the form of the
[6] question.
[7] I'm not sure what exactly you're referring to?
[8] THE WITNESS: Is this statement consistent
[9] with -
[10] BY MR. ROWE:
[11] Q: Well, I can break it down if you want. I
[12] kind of wanted to give you the whole statement in
[13] context, so I wouldn't be pulling anything out of
[14] context. But I can go piece by piece if you want.
[15] A: Well, let me say this and then if you've
[16] got a follow-up question if I'm not answering it.
[17] I think what is being indicated here is
[18] that we - the company tried a number of promotions,
[19] including I guess a T-shirt offer, that got the
[20] attention and participation of younger adult
[21] competitive smokers. And for a short period of time
[22] we were able to generate more business among that
[23] group, which was our intent. But the business didn't
[24] stick. It didn't - it didn't cause switching. And
[25] therefore, the conclusion being reached is that the

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[1] brand's perceptions continue to be a problem,
[2] regardless of the amount of trial interest that we
[3] might be able to generate. And I think that's what's
[4] being talked about here.
[5] Q: And is that consistent with your own
[6] assessment in approximately 1986, of the way
[7] advertising could and could not help and -
[8] A: Yeah. It is in this respect, that
[9] advertising plays a key role in formulating the
[10] positioning for the brand or formulating perceptions
[11] of the brand. What kind of a product is represented
[12] by the product, what kind of user image is there, what
[13] kind of people, in this case, smoke Camel, and do I as
[14] a competitive Marlboro smoker, for example, feel
[15] comfortable with that image? Is that an image that I
[16] feel reflects my own self-image?
[17] And what this indicates, I think, is, and
[18] it is consistent with what I recall back at that
[19] period of time, is that we had a number of promotions,
[20] marketing programs that we developed that we executed
[21] that we were able to get good short-term participation
[22] in, generate a lot of interest, among the intended
[23] target audience, competitive smokers, adult smokers,
[24] in this case, and we were successful at doing that but
[25] it didn't result in any longer-term change in our

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[1] business trends. And again, it points to the
[2] perceptual problems that we had.
[3] Q: Okay. But at least in the short run, the
[4] promotion was apparently responsible for a spike in
[5] sales?
[6] A: Well, a spike in - yeah. In sales among
[7] the 18-to-24-year-old group in one particular -
[8] Q: Region?
[9] A: - indication, in one particular region.
[10] Q: Right. I mean at least what was being
[11] targeted, the promotion was hitting the target
[12] temporarily, but then you'd see this falling back and
[13] you said - and the conclusion here which I understood
[14] you agreed with was in the long run to keep that spike
[15] up, you needed to change the image of the brand?
[16] A: We need to change the perception -
[17] Q: The perception?
[18] A: - of the brand. Yes.
[19] Q: If you could flip, Mr. Iauco, to page 6
[20] of this document, using the numbers at the bottom now.
[21] I'm interested in the - in the last paragraph, No. 4,
[22] whether that's consistent with your understanding of
[23] the decision process as it's referenced in this
[24] paragraph. Because of the length of it, I guess I
[25] will break this one out. But maybe I'll ask you first

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[1] to read the paragraph so you'll have the sense -
[2] A: Yeah. Let me do that.
[3] Q: - of the whole context?
[4] A: (Reading document)
[5] Okay.
[6] Q: Is it consistent with your experience
[7] that younger adult smokers are driven by peer pressure
[8] and surrounded by Marlboro smokers? The sort of the
[9] tone of this thing is it's hard to register with these
[10] young adult smokers, so they're not hearing us;
[11] they're responding to peer pressure?
[12] A: To generalize like that - I don't know
[13] that I'd generalize that. There are some that that's
[14] been the case, particularly back in this time frame.
[15] Because there really weren't any other highly relevant
[16] brands to younger adult smokers back in this time
[17] frame.
[18] Q: Okay. Was it consistent with your
[19] experience in that time frame that advertising needed
[20] to elicit an emotional response from the younger
[21] smokers because they were so entrenched in their
[22] purchase patterns that they really weren't thinking
[23] their brand choice?
[24] A: The whole notion seems to be inconsistent
[25] with me.

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[1] Q: Yes.
[2] A: Needs to elicit an emotional response
[3] because they're not thinking about their brands. I
[4] mean, all good advertising elicits an emotional
[5] response. So I would agree with that. But the fact,
[6] you know - I don't really know what point is being
[7] made here.
[8] Q: Okay.
[9] A: What I think is being said is that we
[10] need better advertising.
[11] Q: Yes. One last question on that
[12] paragraph. It says, For most smokers the cigarette
[13] decision process is nonexistent or at best
[14] superficial.
[15] A: I can't agree with that.
[16] Q: Would you agree with that? Okay. Why
[17] not?
[18] A: Because I don't believe that's the case.
[19] It may have been back then. I don't think so. But I
[20] certainly wouldn't say that was the case for most
[21] smokers. For some, yeah, I would believe that would
[22] be true.
[23] Q: Okay. Do you agree with the statement on
[24] the very next page at the top of the page that, In
[25] order to stimulate them to think about brand

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[1] alternatives, the advertising and brand personality
[2] must jolt the target consumer?
[3] A: And your question is do I agree with
[4] that?
[5] Q: Yeah.
[6] A: Again, a basic tenet is to get - to get
[7] the consumer, in our case, adult smokers, to be aware
[8] of your advertising. To register your advertising
[9] with them. To get their attention. Basic tenet of
[10] all advertising. This is saying that in a different
[11] way, I guess.
[12] Q: Well, if you proceed on on page 7 here
[13] the point is made that hot buttons for younger adults
[14] include escaping into imagination and excitement, fun,
[15] and success. Those are certainly attributes of the
[16] Joe Camel campaign that ultimately evolved; right?
[17] A: Some are. There are some aspects of the
[18] Joe Camel campaign that are consistent with that.
[19] Q: As you look over this document, is there
[20] anything familiar that reminds you of having seen this
[21] white paper prior to the development of Joe Camel
[22] campaign?
[23] A: This is consistent with I think a lot of
[24] the discussions that were going on at the time. I
[25] don't recall this document, per se. But I don't find

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[1] it, you know, totally inconsistent with some of the
[2] hypothesizing that was going on at the point in time
[3] when we were trying to figure out how - what to do
[4] about Camel's business performance. And, you know,
[5] there was a lot of thought given to that. A lot of
[6] different hypotheses.
[7] As I said, we began, somewhere in the
[8] mid-'80s, to develop an alternative campaign to try to
[9] reposition Camel to address the negative perceptions
[10] that were prevalent about that brand. And we spent,
[11] you know, three or four years in that process. That's
[12] a long time. And I recall had a lot of different
[13] ideas, a lot of different hypotheses that were
[14] created, tested, talked about, considered. And
[15] ultimately we hit on the Joe Camel campaign.
[16] And what's interesting about it is that
[17] we didn't even really consider it as an advertising
[18] campaign when we first - when we developed it and we
[19] actually first launched it. It was more a kind of a
[20] short-term, interruptive promotional opportunity
[21] because the brand happened to be 75 years old. And it
[22] wasn't, to my knowledge - as I left right about the
[23] time when it was being launched, to my knowledge, it
[24] wasn't until we really got out there and started
[25] getting a great deal of positive reaction to it among

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[1] adult smokers that we said, Hey, there's a campaign
[2] idea here. There's a longer-term advertising idea
[3] here.
[4] Q: Rather than just a promotion?
[5] A: Rather than just a short-term promotion.
[6] Because when it was originally
[7] considered, I recall this fairly distinctly, I
[8] remember talking to the brand, and at that time it was
[9] primarily Lynn Beasley, about, you know, we've got
[10] this 75th anniversary coming up and we still haven't
[11] found the answer in terms of a different campaign for
[12] Camel. Different ad campaign for Camel. While we're
[13] continuing that effort, let's develop something
[14] promotionally to get - take some advantage of this
[15] brand being 75 years old. It seems to be something
[16] that we can - we can leverage.
[17] So that's how it all started. And then
[18] somewhere in there, we recognized that there was a
[19] bigger idea.
[20] Q: And what type of data did you respond to
[21] that made you say, We need to do this not merely as a
[22] promotion but as a campaign?
[23] A: I don't recall specifically. And again,
[24] it was right around that time frame when I moved over
[25] to the development company. So I'm not even sure when

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[1] that decision was made, per se. But the type of data,
[2] by and large, was just, you know, the reaction that we
[3] were getting from virtually every - every adult
[4] smoker.
[5] Q: The reaction -
[6] A: From -
[7] Q: - being?
[8] A: Positive. They liked it, They liked the
[9] campaign.
[10] Q: And you were seeing increased sales?
[11] A: I don't know that we were at that point.
[12] Again, this is after I moved. I mean we didn't
[13] really - to my knowledge, I don't remember exactly
[14] when the first executions of that campaign began, but
[15] I believe it was in late 1987, it started. And I left
[16] the Established Brands in February of '88. So I was
[17] gone by the time we would have been first getting any
[18] kind of sales data. But typically, you're not going
[19] to see it in sales data immediately anyway. It's more
[20] kind of reading the attitudes. And my recollection is
[21] is that we were getting a lot of positive feedback -
[22] Q: And those -
[23] A: - from smokers.
[24] Q: And those - that positive feedback in
[25] your experience would ultimately translate into

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[1] increased sales somewhere down the road?
[2] A: We would think so.
[3] MR. ROWE: Yeah. Let's take a break, because I
[4] think we're about to run out of videotape.
[5] THE VIDEOGRAPHER: We're off the record at 1359
[6] hours.
[7] (Recess)
[8] THE VIDEOGRAPHER: We're on the record at 1413.
[9] BY MR. ROWE:
[10] Q: Mr. Iauco, I've handed you what was
[11] previously marked as Deposition Exhibit 33. It's a
[12] document dated March 12, 1986. And I'm sure you'll be
[13] glad to see that it's addressed to you.
[14] A: Yes. It is.
[15] Q: So hopefully I don't have to ask you if
[16] you've ever seen this one before.
[17] A: This one I probably have seen.
[18] Q: But if you would like to take a minute to
[19] review it and be sure you recollect it since it was 11
[20] years ago.
[21] A: (Reviewing document)
[22] Okay. I've skimmed through this.
[23] Q: The - do you recall receiving this
[24] document back in 1986?
[25] A: I don't recall this specific document.

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[1] But I recall, you know, this period of time. Yeah.
[2] Q: Okay. And the author is Rick -
[3] A: Yeah.
[4] Q: - Coffield?
[5] A: Rick Coffield. Yes.
[6] Q: Is this a document that's about Joe
[7] Camel?
[8] A: No.
[9] Q: So it's, when it says Camel new
[10] advertising campaign developments, referring to some
[11] other ad campaign?
[12] A: It's referring to literally the multiyear
[13] effort to develop an alternative campaign for Camel to
[14] address its perceptual weaknesses.
[15] Q: So this is part of that - you
[16] testified - I'm not able to find your exact words,
[17] but you - oh, the exploratory. You said you under-
[18] took an exploratory starting sometime in '83 or '84 -
[19] A: Correct.
[20] Q: - and this is kind of part of that?
[21] A: Correct.
[22] Q: So certainly it is moving toward some of
[23] the attributes that the Joe Camel campaign finally had
[24] in terms of projecting a cool attitude and -
[25] A: Certainly -

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(1) Q: Getting rid of -
(2) MS. BIXENSTINE: Can I - can I - just for - I
(3) objected to your statement that Mr. Iauco previously
(4) testified they started the exploratory in '83-84. I
(5) don't think that's what he testified to.
(6) MR. ROWE: I think what he said was sometime
(7) '83, '84, perhaps '85.
(8) MS. BIXENSTINE: I thought he said it may have
(9) been when he was senior brand manager or it may have
(10) been later in '85 or '87, when he was marketing
(11) director.
(12) BY MR. ROWE:
(13) Q: I was under the impression that it was no
(14) later than '85?
(15) A: Let me say what I believe it was. It
(16) could have been in the latter part of when I was a
(17) senior brand manager. I just don't recall. Or it
(18) could have been when I came back as marketing director
(19) in '85.
(20) Q: Right.
(21) A: I just don't recall.
(22) Q: But it was no later than '85, because you
(23) said it was several years of exploratory and it
(24) resulted in the Joe Camel campaign in '88; right?
(25) A: I don't think it was any later than '85.

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(1) Q: Okay. In any event -
(2) A: That we began the process.
(3) Q: Right. And this document from
(4) Mr. Coffield, Exhibit 33, is part of the exploratory
(5) trying to move toward dealing with some of those
(6) negative perceptions about Camel that you testified
(7) earlier?
(8) A: Yes.
(9) Q: Okay. The handwriting that appears on
(10) page 4, do you recognize it as either yours or
(11) Mr. Coffield's? There's a few places where cross-outs
(12) are made and -
(13) A: Yeah. I was looking at that and trying
(14) to answer the same question in my mind. I can't tell
(15) you. It - I don't think it's mine. And I can't read
(16) it.
(17) Q: No. I can't either.
(18) So you don't know whether it's
(19) Mr. Coffield's handwriting or not?
(20) A: It doesn't - no. I don't know. I don't
(21) think it's mine.
(22) Q: Okay. Back on the first page, you see
(23) that Mr. Coffield expresses as an advertising
(24) objective, Overall, Camel advertising will be directed
(25) toward using peer acceptance/influence to provide the

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(1) motivation for target smokers to select Camel.
(2) Specifically, advertising will be developed with the
(3) objective of convincing target smokers that by
(4) selecting Camel as their usual brand they will project
(5) an image that will enhance their acceptance among
(6) their peers.
(7) Is that consistent with the objectives
(8) that you understood for Camel advertising during the
(9) period you were responsible for Camel?
(10) A: Well, I guess what I would say is it's an
(11) awkward way of talking about making sure that the
(12) advertising was relevant to the target group; in this
(13) case, 18-to-24-year-old male smokers.
(14) Q: What do you feel is awkward about it?
(15) A: Just in the way - the use of - using,
(16) peer influence - acceptance influence to provide the
(17) motivation for target smokers to select Camel.
(18) I just wouldn't phrase it that way. It,
(19) it - it, you know, seems to say we're somehow going
(20) to develop advertising that makes someone who smokes
(21) Camel look better in the eyes of their peers. And
(22) that doesn't make a whole lot of sense to me. I'm not
(23) sure it's achievable. Versus developing advertising
(24) that is very relevant to that audience. The audience
(25) being stated here as the target audience of

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(1) 18-to-24-year-old males. Perhaps this is one of the
(2) reasons why Rick was never successful in developing a
(3) campaign that worked. I don't know.
(4) Q: He seems to envision not only having it
(5) be relevant to the younger adult smokers, but that he
(6) can influence peer pressure; right?
(7) MS. BIXENSTINE: Objection.
(8) THE WITNESS: Well, I don't think that's what
(9) he's talking about. What he's saying is that he
(10) can -
(11) BY MR. ROWE:
(12) Q: Certainly wants to use peer pressure?
(13) MS. BIXENSTINE: Objection. Peer pressure.
(14) THE WITNESS: It's not what he - he doesn't
(15) talk about peer pressure here.
(16) BY MR. ROWE:
(17) Q: Camel - I'm sorry.
(18) A: That's why I'm saying it's awkwardly
(19) worded. Because I don't really - I don't really
(20) understand what he's trying to say here.
(21) Q: But he says Camel advertising will be
(22) directed toward using peer acceptance/influence. So
(23) he clearly envisions that he can use peer acceptance/
(24) influence in some way and that the advertising is
(25) going to be directed toward making use of it; right?

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[1] A: Yeah. But that's what I don't
[2] understand. How he would go about doing it. Because
[3] then he seems to say something totally different in
[4] the second sentence.
[5] By selecting Camel as usual brand they
[6] will project an image that will enhance their
[7] acceptance among their peers. That's not utilizing
[8] peer influence or acceptance. That's creating an
[9] image that enhances acceptability among - this
[10] doesn't make sense to me. It doesn't hang together.
[11] Q: Is the second sentence consistent with
[12] your understanding of what you were trying to do with
[13] Camel?
[14] A: No. Neither one of them are. That's
[15] what I'm trying to express is that - I don't really
[16] understand that paragraph, I guess. They seem to
[17] be - the two sentences are somewhat contradictory,
[18] and I think what he was trying to do was say something
[19] totally different and perhaps more simplistically that
[20] we're looking for relevant advertising among this
[21] group. Something that they can identify with.
[22] Q: You see the next paragraph is titled
[23] "Strategic Approach." So here he's going to outline
[24] the strategies he's going to use to achieve that
[25] objective that you've just testified you don't fully

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[1] understand; right?
[2] A: Uh-huh.
[3] Q: Do the strategies also cause confusion in
[4] your mind, or are they consistent with what you would
[5] understand to be the strategies that the Camel brand
[6] was employing at that time period?
[7] A: I think this is one approach that was
[8] being looked at. The authenticity of the product
[9] itself, the brand, how long it had been around. You
[10] know. A sense of masculinity. Which the brand had
[11] always been routed and continues to be till this day
[12] and is seen as a - much more a man's brand.
[13] Q: How about the second -
[14] A: The second - that's masculinity.
[15] Q: At the end of that paragraph, he's got, A
[16] second strategic direction will leverage the
[17] nonconformist self-confident mind-set historically
[18] attributed to the Camel user to address target
[19] smokers' desire to project an image that elevates them
[20] in the eyes of their peers?
[21] A: Yeah. And your question is?
[22] Q: Is that consistent with what you
[23] understood to be the objectives of the Joe Camel
[24] campaign as it evolved?
[25] A: No.

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[1] Q: Which aspect of it is inconsistent with
[2] the Joe Camel campaign?
[3] A: I just don't think - I've never seen the
[4] Joe Camel - I've never seen us articulate the
[5] objective of the Joe Camel campaign stated in any
[6] terms - in these kinds of terms.
[7] Q: Okay. I understood this not to be the
[8] objective but the strategy.
[9] A: Right.
[10] Q: And that the strategy would be to
[11] leverage the nonconformist mind-set, project an image
[12] of nonconformity, and then to use that to make people
[13] who are smoking Camels elevated in the eyes of their
[14] peers?
[15] A: Yeah.
[16] Q: Is that -
[17] A: And what I'm saying is is that whether
[18] you call it a strategy or an objective, it's not the
[19] way that I've ever seen the objective or the strategy
[20] for the Camel campaign communicated. So it's not
[21] entirely consistent. And I've never really seen us
[22] say that what we are trying to do with the - with the
[23] Joe Camel campaign is project an image that elevates
[24] the Camel smoker in the eyes of their peers. It's
[25] just not something that I've ever - that is

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[1] consistent.
[2] Q: In March of 1986, Mr. Coffield was brand
[3] manager for Camel?
[4] A: I believe he was senior brand manager.
[5] Q: Senior brand manager. Over on page 4
[6] under - this is copy strategies. Is there a
[7] difference between a strategic approach and a copy
[8] strategy?
[9] A: Copy strategy is supposed to be a much
[10] more - I'm trying to think of the right term -
[11] specific articulation of what - of an advertising
[12] idea or direction.
[13] Q: Okay. I mean I see that the copy
[14] strategy includes the same two that we saw under
[15] strategic approach. There's masculine authenticity as
[16] (a) and cool attitude as (b). And I understand -
[17] well, do you understand cool attitude to - as he
[18] describes it, to include appealing to nonconformist
[19] and self-confident cool attitudes which is admired by
[20] their peers?
[21] A: Well, that's what he's saying. Yeah.
[22] Q: Right. Okay. In the middle of the page
[23] there on page 4, he makes a comment under "Rationale,"
[24] Aspiration to be perceived as cool/a member of the in
[25] group is one of the strongest influences affecting the

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(1) behavior of the younger adult smokers.
(2) Q: Would you agree with that statement?
(3) A: In terms of it being true?
(4) I don't know if I can agree or disagree
(5) with it. I mean it was a point of view that he
(6) obviously believed in.
(7) Q: Well, when you market Camels toward or
(8) against, I think is the phrase that is sometimes used
(9) in the documents, against younger adult smokers, you
(10) try to understand the younger adult smokers that
(11) you're targeting your product for; right?
(12) A: Yes.
(13) Q: And -
(14) MS. BIXENSTINE: And what?
(15) MR. ROWE: Warming up for my next question.
(16) BY MR. ROWE:
(17) Q: Do you understand that some of those
(18) younger adult smokers you're targeting aspire to be
(19) perceived as cool or member of the in group?
(20) A: Sure. But, you know, the basic notion
(21) that - that younger adult smoker behavior is
(22) influenced by an aspiration to be perceived as cool or
(23) a member of the in group, I wouldn't dispute at all.
(24) I think I would agree with that. The notion that it's
(25) one of the strongest influences, I don't know. I

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(1) don't know that I agree with that.
(2) Q: Okay.
(3) A: I don't know how you can ever quantify
(4) it, frankly.
(5) Q: What are the other influences? I think
(6) you mentioned before for selection of first usual
(7) brand or perhaps it was for starting smoking
(8) altogether - I can't remember - that parental
(9) influence is important?
(10) A: Oh, no. Well, let's be clear -
(11) Q: Yeah.
(12) A: - on what -
(13) Q: Which one is it?
(14) A: Which one is it? What - I think what I
(15) was talking about before, and we can talk about it, is
(16) what constitutes the reasons why people begin smoking.
(17) Q: Okay.
(18) A: And again, I'm citing the various studies
(19) that have been done, and what it indicates is peer
(20) influence. In other words, if your friends - and I
(21) went on to explain that in earlier testimony. If your
(22) friends are all smoking, or some of your friends are
(23) smoking, you're going to have a higher propensity to
(24) try and perhaps take up smoking. Because of that -
(25) that peer influence. That's different than what is

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(1) being talked about here.
(2) Q: Well, that's what I want to ask you. I
(3) mean Mr. Coffield references the behavior of younger
(4) adult smokers. Do you understand that to include the
(5) decision to start smoking or the decision to select a
(6) first usual brand, or some of both?
(7) A: Where are you talking about?
(8) Q: On that same middle of page 4, where it
(9) said aspiration -
(10) A: The behavior.
(11) Q: - to be perceived as cool. He says it's
(12) one of the strongest influences affecting the behavior
(13) of younger adult smokers. Do you have an
(14) understanding of what he meant by the behavior of
(15) younger adult smokers?
(16) A: I believe what he's talking about is
(17) brand choice.
(18) Q: And not an earlier stage in the behavior
(19) of young adult smokers where they first decide to
(20) smoke?
(21) A: No. I'm quite confident that that's not
(22) what he's talking about.
(23) Q: Okay. So you would -
(24) A: That would have been totally contrary to
(25) our policy. It would have been totally contrary to

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(1) the whole premise of what he was about. And I'm quite
(2) confident that that was not what he was talking about.
(3) Q: All right. So the behavior of younger
(4) adult smokers as you understood it was a reference to
(5) the selection of a first brand?
(6) A: No. Selection of any brand.
(7) Q: Selection of any brand, at any time that
(8) they're smoking?
(9) A: (Witness nodded head affirmatively)
(10) Q: And you're not completely on board with
(11) the idea that it's one of the strongest influences to
(12) be perceived as cool or a member of the in group, but
(13) you think it is one of the influences?
(14) A: Certainly.
(15) MS. BIXENSTINE: Wait. Wait. Wait. Wait.
(16) Objection. One of the influences to do what?
(17) BY MR. ROWE:
(18) Q: To effect the choice of the first brand?
(19) A: No. Select a choice of brand.
(20) Q: Sorry. To select the choice of a brand
(21) at all.
(22) A: (Witness nodded head affirmatively)
(23) Q: Did you ever know a person named Dawn
(24) August?
(25) A: Dawn August? No.

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[1] Q: Dawn August.
[2] A: I don't believe I've ever heard that
[3] name.
[4] Q: Okay. I'm going to show you a document
[5] that was previously marked as Exhibit 101.
[6] Thanks. Sometimes these binders
[7] cooperate. Sometimes they don't.
[8] It's a memo dated March 25, 1982, from
[9] Jack Wolfe to Jeannie Marshall. It's mercifully short
[10] compared to some of the others.
[11] A: (Reviewing document)
[12] Q: Have you ever seen that document before?
[13] A: No. No.
[14] Q: Who's Jack Wolfe?
[15] A: He's a research supplier.
[16] Q: At RJR?
[17] A: No. Well, apparently he was with MARC at
[18] the time, although now I believe he is a focus group
[19] moderator. Independent focus group moderator.
[20] Q: Who is Jean Marshall?
[21] A: She works in the company in our
[22] forecasting area.
[23] Q: At RJR?
[24] A: Yeah.
[25] Q: And the cc's include Fran Creighton who

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[1] Dawn August is doing a resource search for existing
[2] data pertaining to incidence in consumption among
[3] youth age 12 to 17.
[4] A: (Witness nodded head affirmatively)
[5] Q: Are you aware of any other studies that
[6] were provided to RJR looking at incidence in
[7] consumption among youths age 12 to 17?
[8] A: Never. I mean I can - I don't know what
[9] this is all about. But it appears to be something
[10] that has to do with, you know, balancing our tracking
[11] sources or our forecasting of - our forecasting
[12] models, or something that is oriented in that
[13] direction rather than something that is used by
[14] Marketing for any reason.
[15] Q: You recognized MARC, That's Marketing
[16] and Research Counselors, Inc.?
[17] A: Yes.
[18] Q: Is that a group that provides work for
[19] RJR, apparently?
[20] A: Yeah. Over the years they have done a
[21] lot for us. But they've handled a lot of our data
[22] sources, such as tracker which allows us to kind of -
[23] allows us to measure share of - get share of smoker
[24] information. Measure the shares that our brands have
[25] among various age groups of adult smokers in the

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[1] you mentioned earlier was one of the people with -
[2] should get principal credit for developing the Joe
[3] Camel?
[4] A: Yeah. But at this time she was a junior
[5] person in Marketing Research.
[6] Q: Marketing Research. Okay. How about
[7] Midge Barnes? Was she in Marketing Research?
[8] A: I believe all - yeah. I believe all
[9] those people - the names that I recognize were all in
[10] Marketing Research in the forecasting area.
[11] Q: Just so the record is clear, all those
[12] people, you're referring to the five cc's?
[13] A: Well, I remember Martha - I remember the
[14] names. Martha Abbott. I certainly know Fran
[15] Creighton. Midge Barnes and Linda Mabe, my
[16] association is them with the Marketing Research
[17] organization. I don't recall Janis Robertson.
[18] Q: Now, in March of 1982, you were the brand
[19] manager for Camel?
[20] A: No. I was in - I believe I was - I
[21] believe I was working in New Brands.
[22] Q: New Brands. In April of '82, you became
[23] the senior brand manager for Camel?
[24] A: Right.
[25] Q: And you see the second sentence says,

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[1] marketplace.
[2] Q: Mr. Iauco, could you turn to Exhibit 102.
[3] And I didn't bring myself a copy of this, but I'm
[4] hoping you'll tell me what that document is?
[5] A: It's a document from Mr. Michael C.
[6] Hinkle of Data Resources, addressed to Kim.
[7] Q: I'm not sure that's the one I had in
[8] mind. I wonder if I could ask you to hand me back -
[9] A: Sure.
[10] Q: Save a little time.
[11] Oh, yes. This is a letter dated July 8,
[12] 1982, from Diane Burrows to Mr. Michael Hinkle at Data
[13] Resources, Inc. Do you know who Data Resources, Inc,
[14] is?
[15] A: No.
[16] Q: I'll ask you to take a look at that. And
[17] my interest in this again is that Ms. Burrows seems to
[18] be charting incidence in consumption among
[19] 12-to-17-year-olds.
[20] A: It's hard to read.
[21] Well, once again, I think Diane Burrows
[22] at that time was in the forecasting area of Market
[23] Research, and both of these seem to be - have to do
[24] with projecting the entire market, the industry
[25] volume. And I suspect, maybe due to the impending

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[1] federal excise tax increase, as part of our attempt to
[2] try to understand what will happen when the federal
[3] excise tax goes up significantly, which it did in
[4] 1983. None of this to my knowledge ever was done for
[5] any reason that - any marketing reason and shared
[6] with anybody that was responsible for marketing our
[7] brands.

[8] Q: I'm going to show you a document that was
[9] marked as Deposition Exhibit 152. It's a memo from
[10] J. F. Hind to Mr. C. A. Tucker, dated January 23,
[11] 1975. Another mercifully short memo. I'm going to
[12] ask you to read it in its entirety.

[13] A: (Complied)

[14] Okay.

[15] Q: This memo was written about five months
[16] before you joined the company. And you see that
[17] Mr. Hind says that to ensure increase in longer-term
[18] growth for Camel filter, the brand must increase its
[19] share penetration among the 14-to-24-age group, who
[20] have a new set of more liberal values which represent
[21] tomorrow's cigarette business.

[22] This is not an example of studying
[23] incidence in consumption for forecasting, right, or
[24] anything; right?

[25] A: No.

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[1] Q: Does this individual - do you know who
[2] Mr. Hind was?

[3] A: Yeah. I recall Mr. Hind.

[4] Q: Who was he?

[5] A: He worked in a number of capacities. He
[6] left the company shortly after I joined it, so I did
[7] not know him well. But I think he was - had some
[8] planning responsibilities as well as new brand
[9] responsibilities for a period of time.

[10] Q: And is there any explanation for
[11] increasing share penetration among the 14-to-24-age
[12] group other than what I would think those words would
[13] mean, which is trying to sell more cigarettes to
[14] 14-to-24-year-olds?

[15] A: Yeah. It - the only way I can read this
[16] to make any sense of it - because, as you said, I
[17] joined the company six months after this. And I never
[18] saw any plans or any discussion or any attempt to try
[19] to market to, as I've mentioned earlier, younger than
[20] 18-year-old smokers.

[21] The only - and this has come up in other
[22] documents that I'm aware of that have come about as a
[23] result of, again, litigation.

[24] The only thing I can think of is that
[25] what they were referring to is basically the baby boom

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[1] generation that was moving through time at this point
[2] and having a significant impact on our business and
[3] virtually everybody else's business, because of the
[4] sheer size. And they were referring to this band as
[5] that generation.

[6] He also refers to it representing
[7] tomorrow's cigarette business, which leads me to
[8] believe he's not suggesting that we're going to go and
[9] develop our business among 14-year-olds, but we're
[10] looking at this generation, and we need to have
[11] propositions that have more appeal to the mind-set of
[12] that generation with a full recognition - and again,
[13] this is my interpretation of it - that what's fair
[14] game for us starts at age 18.

[15] Q: Of course, he says he's going to increase
[16] share penetration among 14-year-olds, so that's not
[17] really tomorrow's business; right?

[18] A: He doesn't say that.

[19] MS. BIXENSTINE: Objection. Objection.

[20] THE WITNESS: He says 14-to-24-age group, which
[21] have a new set of moral values and which represent
[22] tomorrow's cigarette business. Tomorrow's cigarette
[23] business.

[24] So again, that's what my interpretation of this
[25] would be, knowing what followed it when I got involved

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[1] in this company and what our policy has been since
[2] that time certainly. And again, also having the
[3] benefit of seeing some other documents that occurred
[4] prior to my time and looking at the language there and
[5] trying to interpret what did this mean. Because on
[6] its surface it certainly was not - is not helpful.

[7] BY MR. ROWE:

[8] Q: Well, and that -

[9] A: And it's inconsistent with what I know to
[10] be the case.

[11] Q: It's certainly inconsistent with the way -
[12] documents were written after about the time of
[13] Exhibit 102 that we looked at earlier, the Diane
[14] Burrows document.

[15] A: It's inconsistent with our policies and
[16] our practices too. And that is what I know to be the
[17] case.

[18] Q: When someone writes a memo about
[19] increasing share penetration, do you understand that
[20] normally to refer to something they're going to do
[21] presently rather than the future?

[22] A: I can't answer that. There's no answer
[23] to that. You'd have to be more specific. Here, you
[24] read it one way, and then there's something on the end
[25] of this sentence that suggests a different

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[1] interpretation. You know. Representing tomorrow's
[2] cigarette business. So I believe that what they were
[3] referring to was a band, a generation, if you will,
[4] that is consistent with the baby bubble generation
[5] that was moving through time and had a different set
[6] of values from the generation before - before it.
[7] That - and our brands were not appealing to that
[8] generation. And what he was suggesting is that we
[9] needed - or we needed to have brand prep -
[10] propositions. And he's specifically talking about
[11] this Camel filter idea that would have greater appeal
[12] to that generational mind-set.

[13] I'm - I've gone through marketing plans
[14] back to this period of time. Again, as part of the
[15] litigation preparation work that I've done. And I can
[16] tell you that there's no marketing plan that has, you
[17] know, specific actions that were taken to try to get
[18] 14-year-olds to smoke our brands. It's just not
[19] there.

[20] So this one document - your
[21] interpretation is totally inconsistent with what we
[22] did and what I know to be our - to have been and
[23] continue to be our policy here.

[24] Q: Could you look at Exhibit 95 in that same
[25] book, please.

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[1] A: Sure.

[2] No, I can't.

[3] Q: Oh, is it not in there? I'm sorry.

[4] A: It starts with 100 something.

[5] Q: It's a particularly hard test. Thank
[6] you.

[7] See if it's in there.

[8] It looks like you need to fool with the
[9] top.

[10] A: All right. 95, you said?

[11] Q: Right. Thank you.

[12] You know what. I think I can save - are
[13] you there? I think I can save -

[14] A: I'm there.

[15] Q: I've got an extra copy. This is a memo
[16] dated July 22, 1980, from G. H. Long to E. A.
[17] Horrigan, Jr. In 1980, Mr. Long was probably not yet
[18] the - what did you tell me he became? Was he the CEO
[19] or -

[20] A: He was president.

[21] Q: He was president. And Mr. Horrigan was
[22] the CEO at one point?

[23] A: I believe so. I don't know. I can't
[24] remember all the titles.

[25] Q: But in 1980, they were probably not

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[1] yet -

[2] A: I think he was head of Sales and
[3] Marketing at that time.

[4] Q: Mr. Long?

[5] A: I believe so.

[6] Q: And Mr. Horrigan was at that time?

[7] A: He was probably CEO of the tobacco
[8] company, but I'm not positive.

[9] Q: All right. If you could review this memo
[10] please, sir.

[11] A: I've seen this memo before.

[12] Q: Oh. You have seen it?

[13] A: I'm aware of it.

[14] Q: And did you see it in the course of your
[15] employment or in the course of preparing for
[16] litigation or -

[17] A: Preparing for litigation. Certainly not
[18] in the course of my employment.

[19] Q: Okay. Mr. Long says that RJR continues
[20] to gradually decline in its share of 14-to-17-year-old
[21] smokers; right? He says, Hopefully our various
[22] planned activities that will be implemented this fall
[23] will aid in some way in reducing or correcting these
[24] trends.

[25] A: That's what the memo says.

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[1] Q: Now, this memo doesn't have anything to
[2] do with baby bubbles, potential smokers, or smokers
[3] over a certain age; it's all about 14, 15, 16, 17 -

[4] A: I don't know if it's all about that. I

[5] mean again you ought to ask Mr. Long what he meant by
[6] this. All I can tell you is that I know - 'cause I

[7] came back to the company shortly after this. And I
[8] know what Mr. Long and Mr. Horrigan were doing at that
[9] point in time. And that was - they were tearing

[10] apart every part of this business trying to figure out
[11] where problems were, where the opportunities were,

[12] what we needed to do, because the business was in
[13] trouble. And they had been - frankly, this is right

[14] after I think they came to the tobacco company. And
[15] apparently, this is one piece of data that they looked

[16] at. And what it did was indicated, once again, that
[17] this company had some significant weaknesses versus
[18] the competition. And the future based on this
[19] information did not look very bright.

[20] I'm aware that at this point there were

[21] major discussions going on about building
[22] Tobacconville, sinking, what, two billion dollars in
[23] plant and equipment. There were major initiatives
[24] going on relative to improving the quality of our
[25] products. There were major concerns about the quality

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[1] of our products. There were a whole host of things
[2] that were going on, much of which was instigated by
[3] Mr. Long and Mr. Horrigan, as they came into this
[4] company charged with the responsibility of turning
[5] this business around.
[6] And I'm also aware that Mr. Long used to
[7] dictate short cryptic notes like this, because I was
[8] on the receiving end of them later on in my career
[9] that many times we read and reread and wondered what
[10] is he talking about - what is he asking here. He
[11] wasn't always clear, because he was so prolific and
[12] because he dictated them.
[13] So I can't tell you exactly what he was
[14] talking about here. What I can tell you is I came
[15] back to the company as a brand manager and worked
[16] under Mr. Long for a number of years, and there was
[17] never any plan, any documents, any suggestion by him
[18] or anyone else that we were supposed to do anything to
[19] try to get kids to smoke or to smoke our brands. It
[20] was always - the policy has always been the same.
[21] Fair game, 18-year-old and a smoker, and up. And
[22] we're not interested in kids' business.
[23] Q: What about this memo is cryptic?
[24] A: Hopefully, our various planned
[25] activities. I don't know what he's talking about

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[1] there.
[2] Q: Okay. He's alluding to something that
[3] perhaps he and Mr. Horrigan knew at the time, but as
[4] we look at this memo many years later we don't know
[5] what they were?
[6] A: The report further indicates RJR
[7] continues to gradually decline.
[8] It's just not clear what he's talking
[9] about when he talks about various planned activities;
[10] reducing or correcting these trends.
[11] Is he talking about the trends among
[12] 14-to-17-year-olds or is he talking about the trend in
[13] the business?
[14] Q: Is there any trend referenced in this
[15] memo other than 14-to-17-year-olds?
[16] MS. BIXENSTINE: Objection. There's an
[17] attachment that's not included in Exhibit -
[18] THE WITNESS: That's right.
[19] MS. BIXENSTINE: - 95.
[20] THE WITNESS: And that attachment I think also
[21] spelled out that there was - this data was provided
[22] as - you know, upon special request, that it was data
[23] that wasn't usually - it was not - was collected as
[24] a by-product of our collection of shared smoker
[25] information among adult smokers, and as a matter of

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[1] policy is not used for any marketing purpose. I mean
[2] there is an attachment here.
[3] MS. BIXENSTINE: I think it's Exhibit 97 or 98.
[4] BY MR. ROWE:
[5] Q: How do you know that?
[6] A: Because I went through this in previous
[7] litigation preparation. 'Cause, guess what, we knew
[8] it would come up from people like you.
[9] Q: I'm sure you say people like me in the
[10] best sense of the word.
[11] A: Of course.
[12] Q: And you say the attachment is ninety -
[13] MS. BIXENSTINE: I remember that it was used at
[14] one of the earlier - one of the depositions in this
[15] case.
[16] THE WITNESS: I remember it was a Jerry Moore
[17] memo who, you know, at that time was responsible for
[18] some of these data sources.
[19] MS. BIXENSTINE: It was an exhibit in the
[20] nineties.
[21] It's Exhibit 94.
[22] BY MR. ROWE:
[23] Q: Is it your testimony - can you take a
[24] look at 94. Your testimony is that 94 was at one time
[25] attached to 95?

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[1] A: That was my understanding.
[2] Q: It is the attachment that's referenced at
[3] the bottom of 95?
[4] A: Yeah. You know. And it says here even
[5] in the cover letter that this attached report, the
[6] data is a natural by-product of tracking adult
[7] smokers. No special effort is made to gather this
[8] data and it's not to be used for marketing strategy
[9] purposes. It's made very clear. And I think that is
[10] indicated also within the report.
[11] Q: The report being Exhibit 94?
[12] I think the court reporter will need a
[13] yes or -
[14] A: Yes. Yes. That's my understanding.
[15] Q: And then Mr. Long wrote his memo to
[16] Mr. Horrigan on top of that passing on Mr. Moore's
[17] memo in saying to Mr. Horrigan, Hopefully our various
[18] planned activities will reduce or correct the trend -
[19] these trends?
[20] A: Correct. And he talked about planned
[21] activities in the fall.
[22] Now, you look at what we did in the fall
[23] of that year, and there was no effort - there was no
[24] effort to try to address 14-to-17-year-olds. There
[25] was a lot of activity relative to planning a new plant

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[1] and equipment and other things that - product quality
[2] and so on.
[3] Q: Can I see the book for a minute?
[4] Thanks.
[5] Now, Exhibit 94 is a memo - there are a
[6] number of them that are titled "Teenage Smokers (14 to
[7] 17) and New Adult Smokers and Quitters"; right?
[8] A: There are a number -
[9] MS. BIXENSTINE: Objection.
[10] BY MR. ROWE:
[11] Q: There are - a series of these were
[12] written over the years. Have you ever seen them
[13] before?
[14] MS. BIXENSTINE: Objection.
[15] THE WITNESS: I don't know that there were a
[16] series. And the only ones that I'm aware of that I
[17] have seen have been as a result of litigation
[18] preparation. 'Cause within Marketing, we never - we
[19] never looked at that information.
[20] BY MR. ROWE:
[21] Q: I mean there certainly is - we've marked
[22] as Exhibit 94 and also Exhibit 96 and Exhibit 149. At
[23] the very least, there's three memos with the same
[24] title, "Teenage Smokers."
[25] A: I'd have to look at it.

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[1] Q: You want to look at it?
[2] MS. BIXENSTINE: 96 and 149 have not been used
[3] in this deposition.
[4] BY MR. ROWE:
[5] Q: Yeah. Would you like to see 96 and 149?
[6] A: If you have questions about it, I'd like
[7] to look at it.
[8] Q: Really, my only observation was that they
[9] all have this title, "Subject: Teenage Smokers (14 to
[10] 17) and New Adult Smokers and Quitters." And my
[11] question was going to be whether that was a regular
[12] report that RJR had at one time -
[13] A: No.
[14] Q: - as far as you're aware of?
[15] A: No. It was not.
[16] Q: Okay. If you could -
[17] A: I think it even - again, these state -
[18] Q: That one -
[19] A: It states very clearly here it is not to
[20] be used for marketing strategy purposes. So as part
[21] of the Marketing team, I mean I didn't see this. We
[22] didn't generate these reports.
[23] Q: In other words, you see 94 has that
[24] title. If you would look, please, sir, at 96, and
[25] see -

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[1] A: 96.
[2] Q: It's a memo dated October 29, 1980. It's
[3] authored by K. Duffey rather than Mr. Moore. But it
[4] has the same title; right?
[5] MS. BIXENSTINE: Mr. - if you look at 94.
[6] MR. ROWE: I've got the wrong author?
[7] MS. BIXENSTINE: I'm sorry. The attachment here
[8] I believe is also authored by Kim Duffey.
[9] BY MR. ROWE:
[10] Q: Oh, I'm sorry. So they're both authored
[11] by K. Duffey? All right.
[12] A: (Witness nodded head affirmatively)
[13] Q: But would you agree with me that 96 has
[14] the same title?
[15] A: Yes. It has the same title.
[16] Q: Okay. If you look at 149. This one is
[17] authored by Mr. Moore. It's directed to Mr. Long as
[18] well as -
[19] MS. BIXENSTINE: I don't think 149 is in here.
[20] MR. ROWE: I'm about to show him.
[21] BY MR. ROWE:
[22] Q: It's also directed to Mr. Long and
[23] Mr. Glover and Mr. Hall, and it has the same title.
[24] Right?
[25] MS. BIXENSTINE: Did you read the date into the

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[1] record?
[2] MR. ROWE: Maybe not.
[3] BY MR. ROWE:
[4] Q: It's November 14, 1980.
[5] A: That's the cover note for the -
[6] Exhibit No. 96.
[7] Q: Oh, is it the same -
[8] A: Yeah. It's the same report.
[9] Q: - one as that?
[10] The people who are shown as cc's on that
[11] November 14 memo from Mr. - so 149 is Mr. Moore
[12] passing along to Mr. Long the memo that was already
[13] passed along to Mr. Long through Exhibit 95?
[14] A: I'm sorry. You're going to have to
[15] repeat that. It's late in the afternoon.
[16] Q: Sorry. I can't understand why this
[17] report gets passed on so many times.
[18] A: It's the same report, it would appear,
[19] that was generated -
[20] Q: Well, I wonder if I could stop you -
[21] A: Sure.
[22] Q: - because I'm not sure that's right. If
[23] you look at 149 and you go to the second page, it is
[24] true that there is a report from Ms. Duffey to
[25] Mr. Moore, but this one is dated October 29, 1980.

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[1] A: So is this one.
[2] Q: Is that -
[3] MS. BIXENSTINE: That's the statement, exhibit?
[4] THE WITNESS: 96.
[5] BY MR. ROWE:
[6] Q: How is Exhibit 96 attached to Mr. Long's
[7] July 22 memo?
[8] MS. BIXENSTINE: No. We said Exhibit 94 was
[9] attached.
[10] MR. ROWE: Oh. Okay. All right.
[11] MS. BIXENSTINE: So there are two underlying
[12] memos.
[13] BY MR. ROWE:
[14] Q: There are at least two of them. Okay.
[15] Good. There are at least two of them. And in fact
[16] the October 29th one that you've got in front of you
[17] here -
[18] A: Yes.
[19] Q: - says it's the third report relating to
[20] teenage smokers and the adult smokers and quitters.
[21] Right?
[22] A: Yes. There's one that said there was a
[23] second report that was Exhibit 94. And then there was
[24] a third report.
[25] Q: Okay.

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[1] A: Which is Exhibit 149.
[2] Q: Okay. So we can agree that there was a
[3] series of reports on - that were titled -
[4] MS. BIXENSTINE: Objection.
[5] BY MR. ROWE:
[6] Q: - teenage smokers -
[7] A: There were two, it appears.
[8] Q: We have at least two?
[9] A: We have two.
[10] Q: And the one says it's the third?
[11] A: That's what it says. Yeah.
[12] Q: Okay. And they're all titled, "Teenage
[13] Smokers (14 to 17) and New Adult Smokers and
[14] Quitters"; right?
[15] A: Yes.
[16] Q: Okay. And in at least one case, Mr. Long
[17] got the report and commented that he hoped the trend
[18] of declining sales among 14-to-17-year-olds of RJR
[19] products could be reversed?
[20] MS. BIXENSTINE: Objection.
[21] THE WITNESS: That's not what he said. Again,
[22] that's not what was said.
[23] BY MR. ROWE:
[24] Q: All right. What was it that Mr. Long
[25] said in that -

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[1] A: Let me get it.
[2] Q: - very short memo?
[3] A: Which one was this? What number?
[4] Q: 95.
[5] A: What he says at the end was, Hopefully
[6] our various planned activities that will be
[7] implemented this fall will aid in some way in reducing
[8] or correcting these trends. And I'm not sure what he
[9] means by these trends.
[10] Q: But the only trend he references in his
[11] memo is the decline in the share of 14-to-17-year-old
[12] smokers; right?
[13] A: Well, I don't know. I don't know what
[14] this - total share declined from 21.3 to 19.9 is
[15] about - I'd have to go back to the report and see
[16] that total.
[17] Q: Let's look at Exhibit 94. You said that
[18] was the one that was attached.
[19] A: All right. That one seems to refer to
[20] that age group so that - you're right. It appears
[21] that he only references that age group in terms of
[22] trends.
[23] But again, I have to tell you that there
[24] was no action taken in the fall that was to, you know,
[25] correct these trends. So it doesn't - it doesn't

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[1] make sense to me that that's what he was referring to.
[2] MR. ROWE: Is this a good time for a break?
[3] THE VIDEOGRAPHER: We're off the record at 1509.
[4] (Recess)
[5] THE VIDEOGRAPHER: We're on the record at 1532.
[6] BY MR. ROWE:
[7] Q: Mr. Iauco, I want to show you what was
[8] previously marked as Deposition Exhibit 150, document
[9] entitled "Our Younger Adult Smokers, Important,"
[10] stamped "RJR Confidential," and ask you if you've ever
[11] seen it before?
[12] A: (Reviewing document)
[13] I don't recall whether I've seen this
[14] before or not.
[15] Q: Okay. It's a fairly short document. Are
[16] you able to tell whether it's authored by someone at
[17] RJR, such as Ms. Burrows or Mr. -
[18] A: It looks like - it's consistent with the
[19] point of view that they proposed.
[20] Q: Right.
[21] A: So yes, it does look - but I can't tell
[22] you exactly who the author was based on this.
[23] Q: And you don't have any specific
[24] recollection of seeing this particular document?
[25] A: Not a specific recollection. But I

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[1] recall, you know, similar presentations, and so on.
[2] **MR. ROWE:** That's all I wanted to know. I have
[3] no more questions. Thank you for your time.
[4] **THE WITNESS:** Okay.
[5] **MS. BIXENSTINE:** Thank you.
[6] Mr. Iauco will exercise his right to read and
[7] review the transcript and make corrections. And I'll
[8] ask the court reporter to send the original to me and
[9] I'll forward it to Mr. Iauco.
[10] **MR. ROWE:** I always like to say - Kim has
[11] reminded me - that when you make those corrections
[12] that you should be aware that any changes you make on
[13] the transcript can be commented on and conceivably if
[14] you made a huge change we can ask for a right to
[15] reexamine on the point or -
[16] **THE WITNESS:** Sure.
[17] **MR. ROWE:** But I'd just like to give you that
[18] caution.
[19] **THE WITNESS:** I understand.
[20] **MR. ROWE:** Thank you.
[21] **THE VIDEOGRAPHER:** Off the
[22] record at 1534.
[23] (TIME NOTED: 3:34 P.M.)
[24]
[25]

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[1] I declare under the penalty of perjury
[2] under the laws of the State of California
[3] that the foregoing is true and correct.
[4] Executed on _____, 19____,
[5] at _____, North Carolina.
[6]
[7]
[8]
[9] SIGNATURE OF THE WITNESS
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[1] STATE OF NORTH CAROLINA) ss:
[2] COUNTY OF GUILFORD)
[3]
[4] I, Patricia Jaeger, Registered Professional
[5] Reporter, Notary Public, do hereby certify:
[6] That the foregoing deposition of DAVID IAUCO was
[7] taken before me at the time and place therein set
[8] forth, at which time the witness was put under oath by
[9] me;
[10] That the testimony of the witness and all
[11] objections made at the time of the examination were
[12] recorded stenographically by me, were thereafter
[13] transcribed under my direction and supervision and
[14] that the foregoing is a true record of same.
[15] I further certify that I am neither counsel for
[16] nor related to any party to said action, nor in
[17] anywise interested in the outcome thereof.
[18] IN WITNESS WHEREOF, I have subscribed my name
[19] this 31st day of July, 1997.
[20]
[21]
[22] Patricia Jaeger
[23] Registered Professional Reporter
[24] Notary Public
[25]

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[2] VOLUME I
[3]
[4]
[5] WEDNESDAY, JULY 16, 1997
[6]
[7] WITNESS EXAMINATION
[8]
[9] DAVID IAUCO
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[11] (By Mr. Rowe) 3
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[1] PLAINTIFF'S EXHIBITS
[2] DAVID IAUCO
[3]
[4] NUMBER DESCRIPTION IDENTIFIED
[5] 153 Resume of David Iauco. 26
[6] (Retained by counsel.)
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Lawyer's Notes

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ERRATA SHEETS FOR THE
DEPOSITION OF DAVID IAUCO IN
MANGINI v. R. J. REYNOLDS TOBACCO COMPANY, ET AL
(July 16, 1997)

Page	Line(s)	Change
5	3	Change "Cooper" to "Kueper"
5	14	Change "Conner" to "Connor".
7	20	Change "Cooper" to "Kueper"
7	21	Change "Conner" to "Connor"
10	2	Change "McGuire" to "Maguire"
16	18-19	Change "Yes. But he has got - he has primary accountability for our packaging subsidiary." to "No. Mr. Hein is not in Operations. He has primary responsibility for our packaging subsidiary."
16	23-25	Change "He has - I can't recall whether Mr. Hein reports directly to Mr. Wilson" to "Mr. Hein reports to Mr. Schindler."
17	4	Change "McGuire" to Maguire"
23	21	Insert "answer" after "precise"
28	23	Change "Holt" to "Hoult"
31	25	Change "Coffield" to "Caufield"
32	11	Change "Coffield" to "Caufield"
32	24	Change "Shawstack" to "Shostak"
33	11	Insert "vice" after "was"
40	19	Change "Only I read" to "I only read"
46	9	Change "Mizersky" to "Mizerski"


David Iauco

8-28-97
Date

ERRATA SHEETS FOR THE
DEPOSITION OF DAVID IAUCO IN
MANGINI v. R. J. REYNOLDS TOBACCO COMPANY, ET AL
(July 16, 1997)

Page	Line(s)	Change
46	15	Change "Mizersky" to "Mizerski"
47	7	Change "Mizersky" to "Mizerski"
53	5	Change "smokers of males and females of" to "smokers, males and females, of"
59	13	Change "Samet" to "Sample"
67	5	Delete ";" after "lights"
69	6	Change "this" to "the Joe Camel Campaign"
69	8	Change "1985" to "No, 1987." Change "a" to "The"
80	14	Change "market. It" to "market that"
84	11	Delete "and"
109	9	Insert a period after cigarettes, and delete "that"
113	9	Change "Leeds" to "Lees"
119	9	Change "Premiere" to "Premier"
121	1	Delete the period after "on"
121	4	Change "Premiere" to "Premier"
121	21	Insert "not" after "is"
123	11	Change "I've" to "I'd"
132	2	Insert "be" after "to"
132	12	Delete "No"

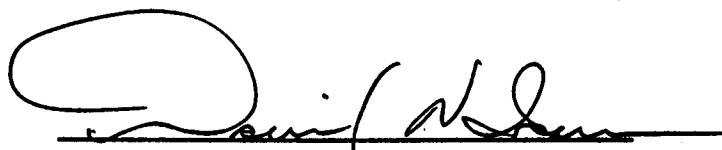

David Iauco

8-28-97
Date

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ERRATA SHEETS FOR THE
DEPOSITION OF DAVID IAUCO IN
MANGINI v. R. J. REYNOLDS TOBACCO COMPANY, ET AL
(July 16, 1997)

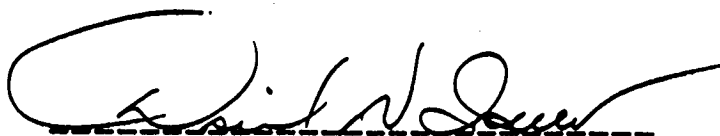
Page	Line(s)	Change
132	17	Delete "No"
138	5	Change "It's the Law" to "Support the Law"
138	10	Insert "decreasing" after "of"
139	1-2	Change "It's the Law" to "Support the Law"
139	5	Change "week hard" to "We Card"
143	6	Change "bands" to "bans"
143	12	Delete "is"
145	21	Change "band" to "ban"
145	23	Change "band" to "ban"
146	9	Change "band" to "ban"
152	6	Change "says" to "said"
164	5	Change "Coffield" to "Caufield"
170	10-11	Change "Which the brand had always been routed" to "Where the brand had always been rooted"
176	9	Insert "Yes."
176	22	Insert "Yes."
178	16	Change "is" to "with" and Insert "is" after "them"


David Iauco

8-28-97
Date

1 I declare under the penalty of perjury
2 under the laws of the State of California
3 that the foregoing is true and correct.

4 Executed on August 28, 1997,
5 at Winston-Salem, North Carolina.

6
7
8 

9 SIGNATURE OF THE WITNESS

CURRICULUM VITAE

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BUSINESS ADDRESS: R.J. Reynolds Tobacco Company
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Engineering
BSE

WORK EXPERIENCE

08/75 - 01/77 RJR Tobacco - Marketing Assistant

01/77 - 01/78 RJR Tobacco - Assistant Brand Manager

01/78 - 07/79 RJR Tobacco - Brand Manager

08/79 - 07/80 Kuberan
Winston Salem, NC
Marketing Director

08/80 - 03/82 RJR Tobacco - Brand Manager

04/82 - 06/84 RJR Tobacco - Senior Brand Manager

07/84 - 06/85 RJR Tobacco - Group Manager - New Brands

06/85 - 07/87 RJR Tobacco USA - Marketing Director - Brand Marketing

07/87 - 02/88 RJR Tobacco USA - Vice President - Brand Management

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02/88 - 07/89

RJR Tobacco Development Company
Senior Vice President

07/89 - 05/94

RJR Tobacco - Senior Vice President
Marketing

05/94 - 03/96

RJR Tobacco - Senior Vice President
Worldwide Business Development

04/96 - Present

RJR Tobacco - Senior Vice President,
Business Development and Market
Research

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